Nova Scotia Infrastructure

Health Facilities (1999-2000)	#	Beds
Public General	34	3,652
Psychiatric	1	183
Maternity	1	292
Long Term Care	70	5,874

Education Facilities	#	FT Enrol.
Universities	11	31,079
Community Colleges	13	7,619
Public P-12	469	158,205

Communications		
Telephone Lines - Business	1996	193,080
Telephone Lines - Residential	1996	372,794
Households with Telephones	1998	97.3%
N.S. Internet Use, % of Households	1999	41.1%
Canada Internet Use, % of Households	1999	41.8%
TV Broadcasting Sources	1996	8
Cable Television Subscribers	1996	243,686
Radio Broadcasting Stations	1996	25
Newspapers - Daily	1996	7
Newspapers - Other	1996	41

Port of Halifax (2000)	
Total Cargo Tonnage (Change '99-'00 = (0.5)%)	13,943,717
Cruise Vessels (Change '99-'00 = 27.4%)	93
Cruise Passengers (Change '99-'00 = 28.3%)	138,371

Tourism and Culture - 2000

Receipts ($ billions)	1.25
Receipts - % Change 1999-2000	(1.0)%
Employment	34,800
Visitors by Origin - % (1999)	
Atlantic Canada	53.0%
Other Canada	30.0%
United States	15.0%
Other International	2.0%
Visitors by Mode of Travel (Jan - Dec)	2,160,000
Auto	1,436,000
Air	533,000
Recreational Vehicle	100,000
Motor-coach	91,000

Health Care

- Long-term care funding increased $19.0 million to $175.0 million
- Home care funding increased to $110.0 million
- $9.0 million invested in IT to support evidence-based decision making
- $5.0 million for nursing strategy to address workplace issues
- $1.5 million to improve access for seniors to continuing care province-wide
- $600,000 to promote physical fitness, active lifestyles
- No change in Pharmacare premiums or co-payments
- Tobacco taxes: expected to increase
- $50 per day fee for long-term care patients in hospital

Pocket Budget

Province of Nova Scotia

for the fiscal year **2001-02**

Other financial information may be obtained on the Department of Finance website at:

www.gov.ns.ca/finance

Budget Summary	2001-2002 Estimate
Revenues	5,134,771
Net Program Expenses	4,324,619
Net Debt Servicing Costs	908,857
Net Income (Losses) for GBE's	8,000
Provincial Deficit	**(90,705)**

101-04147/

Population

Population (2000)			**940,996**
% Population by Age Group	**1991**	**2000**	**2010**
0-4	6.7	5.3	4.5
5-19	21.0	19.7	16.4
20-64	59.8	61.7	63.8
65+	12.5	13.3	15.3
Total	100.0	100.0	100.0

Employment

Employed (2000 - see below)	**419,600**
Teachers (Public P-12)	9,926
Physicians (1998-1999)	1,900
Nurses Employed (1998-1999)	9,365
Nurses Employed in Nursing (1998-1999)	3,214
Police Officers (1998)	1,582

Employment by Sector (2000)

Trade	75,400
Health Care and Social Assistance	50,800
Manufacturing	43,500
Educational Services	32,300
Accommodation and Food Services	27,000
Public Administration	25,400
Construction	24,600
Finance, Insurance, Real Estate and Leasing	22,200
Transportation and Warehousing	20,600
Management, Administrative and Other Support	17,300
Professional, Scientific and Technical Services	17,100
Information, Culture and Recreation	16,700
Forestry, Fishing, Mining, Oil and Gas	15,000
Agriculture	6,900
Utilities	2,800
Other Services	22,000
Total - Employment	**419,600**

Gross Domestic Product by Industry 1999

($ millions, 1992 dollars)

Goods Producing	**4,406**
Manufacturing	2,090
Construction	1,127
Resource Industries	674
Utilities	515
Services Producing	**13,518**
Finance, Insurance, Real Estate	3,227
Wholesale and Retail Trade	2,399
Government Services	1,930
Health and Social Services	1,363
Educational Services	1,149
Communications	871
Transportation and Storage	791
Business Services	675
Other Services	589
Accommodation, Food and Beverage Services	524
Total Goods and Services	**17,924**
Exports by Destination (2000, $m)	**5,206**
United States	4,276
Other European Community	282
Japan	179
United Kingdom	94
Other Countries	375
Exports by Major Commodity	**5,206**
Fish and Fish Preparations	1,084
Non-metallic Minerals, Fuels	1,020
Paper and Paperboard	540
Transport Equipment	299
Wood Pulp	247
Lumber	241
Other	1,775
Imports- Total	**5,427**
NS Trade Deficit	**221**
Resource Sectors GDP	
Agriculture ($m,1999)	199
Fishery ($m, excluding Aquaculture, 1999)	195
Forestry ($m, 1999)	61
Mining ($m, 1999)	219

The Economy
- 3.0% growth in 2000; 11,000 new jobs
- Consumer Spending increased by 4.7%
- more moderate growth (2.3%) in 2001 as external forces impact the province

The Finances
- Fiscal Plan on target; deficit eliminated in fiscal 2002-2003; tax reduction in fiscal 2003-2004
- Economic growth driving revenue gains; spending increases below rate of revenue growth

Toward Self-Reliance
- $15.0 million provincial investment in research and development will attract up to $85.0 million in federal and private contributions through the Canadian Foundation for Innovation
- $4.2 million in additional funding for the Nova Scotia Community College to advance the skills agenda
- $1.5 million for the NS School for Adult Learning to help adults get a high school diploma
- $2.2 million investment in the Agricultural Development Institute
- Capital Budget for highways increased by $11.0 million to $49.0 million; $5.0 million set aside for twinning Highway 101

Pocket Budget

Province of Nova Scotia

Department of Finance

Budget Summary	Forecast 2000-2001	Estimate 2001-2002	% Change
Revenues	5,044,484	5,134,771	1.8 %
Net Program Expenses	4,235,501	4,324,619	2.1 %
Net Debt Servicing Costs	970,880	908,857	(6.4)%
Net Income (Losses) for GBE's			
NSRL	(41,800)	—	(100.0)%
Other Enterprises	4,600	8,000	73.9 %
Provincial Deficit	(198,897)	(90,705)	(54.4)%

	Forecast 2000-2001	Estimate 2001-2002	% Change
Provincial Revenue Sources			
Personal Income Tax	1,228,672	1,250,795	1.8 %
Corporate Income Tax	169,232	200,864	18.7 %
Harmonized Sales Tax	804,280	845,724	5.2 %
Motive Fuel Taxes	209,100	215,500	3.1 %
Nova Scotia Gaming Corporation	167,250	170,800	2.1 %
Nova Scotia Liquor Commission	137,000	139,800	2.0 %
Interest Revenues	34,777	34,587	(0.5)%
Royalties - Petroleum	9,000	14,000	55.6 %
Other Provincial Sources	303,098	306,130	1.0 %
Total - Provincial Sources	3,062,409	3,178,200	3.8 %
Federal Revenue Sources			
Equalization Payments	1,395,500	1,394,000	(0.1)%
CHST Payments	526,054	560,241	6.5 %
Other Federal Sources	2,330	2,330	N/A
Total - Federal Sources	1,923,884	1,956,571	1.7 %
Prior Years' Adjustments	58,191	—	N/A
Total - Revenues	5,044,484	5,134,771	1.8 %
Provincial Revenues as a % of Total Revenues	60.71%	61.90%	2.0 %

Provincial Government Funded Staff	Estimate 2000-2001	Estimate 2001-2002
Total Direct Employment	9,598	9,503

Notes:

Net Program Expenses	Forecast 2000-2001	Estimate 2001-2002	% Change
Agriculture and Fisheries	—	40,885	N/A
Agriculture and Marketing	34,656	—	N/A
Business and Consumer Affairs	31,689	—	N/A
Community Services	583,748	626,506	7.3 %
Economic Development	63,731	34,706	(45.5)%
Education and Universities	1,073,663	1,089,669	1.5 %
Environment	12,401	—	N/A
Environment and Labour	—	27,072	N/A
Finance	9,001	12,867	43.0 %
Fisheries and Aquaculture	5,716	—	N/A
Health	1,750,641	1,819,031	3.9 %
Housing and Municipal Affairs	88,461	—	N/A
Human Resources	3,979	—	N/A
Justice	82,293	88,883	8.0 %
Labour	8,137	—	N/A
Natural Resources	51,329	53,945	5.1 %
Public Service	77,667	104,236	34.2 %
Service Nova Scotia and Municipal Relations	—	100,237	N/A
Tourism and Culture	38,388	39,457	2.8 %
Transportation and Public Works	245,401	233,469	(4.9)%
Restructuring Costs	74,600	53,652	(28.1)%
Total - Net Program Expenses	4,235,501	4,324,619	2.1 %

Net Expenses by Function			
Health	33.8%	35.5%	5.0 %
Education	20.2%	20.3%	0.5 %
Debt Servicing Costs	20.6%	19.4%	(5.8)%
Social Services	10.5%	11.0%	4.8 %
Transportation	3.0%	3.0%	— %
Resource Development	3.2%	3.0%	(6.2)%
Other	8.1%	7.2%	(11.1)%
Total - Net Expenses	100.0%	100.0%	

Tax Credits	2000 Value ($m)
Investment Tax Credit for Manufacturing and Processing	66.4
Small Business Rate Reduction	65.1
Low Income Tax Reduction	20.0
Research and Development Tax Credit	11.5
Film Industry Incentive	6.0
Equity Tax Credit	3.5
Labour Sponsored Venture Capital Corporation Tax Credit	0.7
Small Business Tax Holiday	0.5
Other Credits	0.8
	174.5

Key Economic Assumptions	2000	2001	2002
Gross Domestic Product (GDP) (1992 $m)	21.5b	22.0b	22.7b
GDP Growth Rate	3.0%	2.3%	3.0%
PIC Growth Rate	4.7%	3.2%	4.0%
Employment	419,500	422,900	429,600
Employment Growth Rate	2.7%	0.8%	1.6%
Unemployment Rate	9.1%	9.5%	9.0%
Consumer Price Index	3.5%	2.7%	2.4%
Retail Sales	4.3%	3.5%	4.0%
Exports of Goods and Services	19.8%	7.8%	5.2%

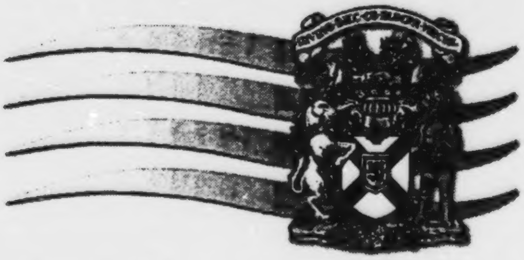
Financial Variables and Sensitivities - Fiscal 2001-2002			
CAD/USD	1.5712	1 CAD cent change	2.6m
USD/CAD	0.636	1 US cent change	6.3m
3 month CAD T-Bill	4.45%	1% change	16.5m
10 yr CAD Govt	5.25%	1% change	5.4m

Net Direct Debt and Borrowing	2000	(as at March 31st) 2001	2002
Net Direct Debt	11.220b	11.473b	11.648b
Total Borrowing Requirements	1.482b	2.045b	1.063b
Foreign Currency Exposure	35.6%	30.8%	N/A

Comparative Tax Rates - as of January 2001

	Nova Scotia	NFLD	PEI	NB	Quebec	Ontario	Manitoba	Saskatchewan	Alberta	BC	Federal
Personal Income Tax											
Low Rate	9.77%	10.57%	9.80%	9.68%	16.00%	6.20%	10.90%	11.50%	10.50%	8.40%	16.00%
Middle Rate	14.95%	16.16%	13.80%	14.82%	22.50%	9.24%	16.20%	13.50%	10.50%	11.90%	22.00%
Middle Rate 2	—	—	—	—	—	—	—	—	10.50%	16.70%	26.00%
High Rate	16.67%	18.02%	16.70%	16.52%	25.00%	11.16%	17.50%	16.00%	10.50%	18.70%	—
High Rate 2	—	—	—	—	—	—	—	—	10.50%	19.70%	29.00%
Corporation Income Tax											
% of Corporate Taxable Income	16.00%	14.00%	16.00%	17.00%	8.9% - 16.25%	14.00%	17.00%	17.00%	15.50%	16.50%	27.00%
Manufacturing and Processing	16.00%	5.00%	7.50%	17.00%	8.90%	12.00%	17.00%	10.00%	14.50%	16.50%	21.00%
Small Business Rate	5.00%	5.00%	7.50%	4.50%	8.90%	6.50%	6.00%	8.00%	6.00%	—	12.00%
Corporation Capital Tax											
General Rate	0.25%	Nil	Nil	0.30%	0.64%	0.30%	0.30%	0.60%	Nil	0.30%	0.225%
Financial Services	3.00%	4.00%	3.00%	3.00%	1.28%	.60% - .90%	3.00%	0.70% / 3.25%	0.07% - 1.0%	1.0% - 3.0%	1.05% - 1.25%
Retail Sales											
General Rate (%)	8.00%	14.00%	10.00%	8.00%	8.00%	8.00%	7.00%	7.00%	Nil	7.00%	7.00%
Tax-on-Tax	No	No	Yes	No	Yes	No	No	No	N/A	No	N/A
Tobacco Tax											
Cigarettes	$0.0482	$0.1100	$0.06625	$0.0415	$0.0243	$0.0265	$0.0860	$0.0860	$0.0700	$0.1100	$.04175 - $.0642
Carton (200)	$9.64	$22.00	$13.25	$8.30	$8.60	$5.30	$17.20	$17.20	$14.00	$22.00	$8.35 - $10.85
Fine Cut (per gram)	$0.0339	$0.0733	$0.0341	$0.0274	$0.0215	$0.0265	$0.0730	$0.0770	$0.0400	$0.1100	$0.02888
Tobacco Sticks	$0.0369	$0.1100	$0.0620	$0.0370	$0.0537	$0.0265	$0.0860	$0.0860	$0.0700	$0.1100	$0.03298
Sales Tax Applied	Yes	Yes	No	Yes	No	Yes	Yes	Yes	N/A	No	Yes
Motive Fuel Taxes											
Unleaded	13.5	16.5	13.0	10.7	15.2	14.7	11.5	15.0	9.0	11.0	10.0
Diesel	15.4	16.5	13.5	13.7	16.2	14.3	10.9	15.0	9.0	11.0	4.0

Budget Highlights
Province of Nova Scotia



for the fiscal year 2001-02
The Honourable Neil J. LeBlanc, Minister of Finance

Budget Highlights

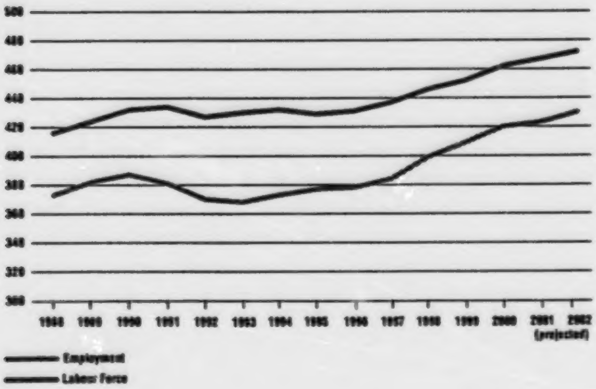
March 29, 2001

The economy

The Nova Scotia economy performed well in 2000. Fueled by the private sector, improvements were recorded in most economic indicators. Growth in 2001 is expected to moderate as a result of a continent-wide slowdown.

- Economy grew by 3.0 per cent in 2000, creating 11,000 new jobs. Consumer spending increased by 4.7 per cent.
- Growth expected to moderate in 2001–02, as external economic forces impact Nova Scotia.
- Province forecasting 2.3 per cent growth in the year ahead.

Nova Scotia Labour Market



The finances

The government's fiscal plan is on track. Higher revenues brought on by economic growth have allowed for strategic investments in priority areas that advance long-term objectives.

- Four-year fiscal plan on target to eliminate the deficit in 2002–03; reduce income taxes the following year.
- Deficit for 2000–01 reduced from $268-million estimate; now forecast at $199 million. Deficit estimate for 2001–02 is $91 million.
- Economic growth driving government revenue gains. Spending increases held below rate of revenue growth.
- Revenues expected to grow 7 per cent, estimate-to-estimate; spending held to 4 per cent increase. Forecast-to-estimate, revenue increase 2 per cent; spending 0.5 per cent.

Toward self-reliance

Investments in training, research and development, and the province's economic infrastructure will yield long-term benefits.

- $15 million provincial investment in research, development, and commercialization will attract federal and private sector contributions through the Canadian Foundation for Innovation.
- Skills agenda advanced by $4.2 million in additional funding for Nova Scotia Community College; Virtual Campus to expand.
- Access to community college to increase by up to 200 seats.
- $1.5 million for Nova Scotia School for Adult Learning to help many get high school diploma.
- Province to develop long-term strategy to match training to available jobs.
- Youth Pathways and Transitions to help point more high school students to careers and further career-minded education.
- Additional $1 million to increase tourism effort.
- Agricultural Development Institute launched with $2.2-million investment.
- $250,000 to combat illegal activity in the commercial fishery.
- Increased commitment of $1.3 million for silviculture on Crown lands.
- Highways capital budget increased by $11 million to $49 million; $5 million set aside for 101 twinning.
- $10 million from Transportation budget to improve rural roads.
- Tax credit review completed: many credits modified, most continued.

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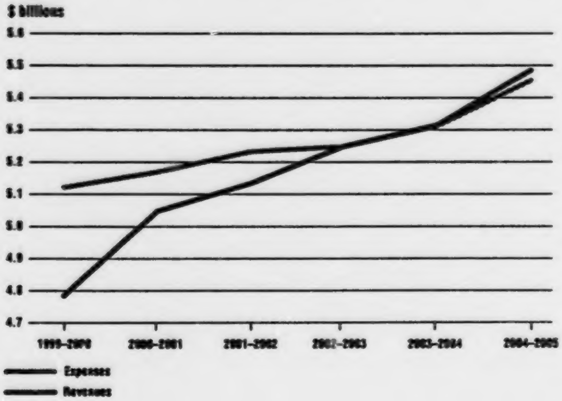
Quality of service/quality of life

The province is investing in technology to improve access to government services. New strategies to safeguard water supplies and for safe disposal of sewage to be developed; energy strategy and strategy to address greenhouse gases/climate change are in development.

- Significant service improvements through greater use of technology, including electronic land registry, expanded business registry, and 19 Service Nova Scotia Express locations. Motor vehicle registry and birth, death, and marriage certificates all go on line.
- Registry of Motor Vehicles to be in five more counties—then available in all counties.
- $195-million, six-year federal/provincial/municipal program to build "green" infrastructure—water, sewage treatment, waste management systems.

Revenues and Expenses 1999–2000 to 2004–05



A commitment to health

The province is making significant investments in the well-being of Nova Scotians, as well as measures to manage health costs and put continuing care on a firm foundation.

- Tobacco taxes expected to increase in the year ahead in an effort to reduce the number of young smokers.
- $600,000 increase in funds to promote physical fitness and active lifestyles targets young Nova Scotians.
- Community Health Boards funded for the first time: $1 million.
- Simplified access to continuing care through $1.5 million allocation.
- Home care budget increased $10.5 million; long-term care facilities stabilized with $19 million budget increase.
- Pharmacare premiums, co-pay will not increase this year.
- Patients medically discharged, awaiting long-term care, to be charged $50/day while in hospitals.
- $5-million nursing strategy to address workplace and recruitment issues.
- District health authorities provided with realistic, stable funding in first full year; 1 per cent more than actual spending in 2000–01.
- $500,000 to redesign mental health services, plan to bring care for young Nova Scotians closer to their homes.
- Information systems in health care to support evidence-based decisions and improve accountability; $9 million invested.

Investing in our children

Nova Scotians want every Nova Scotia child to get the best possible start in life. They expect our schools to prepare our young people for success. The province will provide more assistance to low income families in the form of child benefits. Increased public education funding will promote early reading and safe schools.

- Nova Scotia Child Benefit increased. Clawback of National Child Benefit to end. Province investing in assistance for children living in poverty.
- Federal-provincial early childhood development partnership to invest $9 million in mothers, babies, and child care.
- Active Young Readers expanded: now covers grades primary–6; includes testing.
- $13 million more for public education.
- $1.1 million to keep schools safe.
- Information management systems to support school boards: $4 million invested.
- $3 million more for special education.
- Commitment to universities met, funding up $5 million.

Opportunities on our doorstep

- 40 new offshore wells to be drilled in the next four years.
- Exploration moving to deep water.
- Panuke and Sable II are both billion-dollar projects.

Fiscal Plan 2001–02 to 2004–05

($ millions)

	ESTIMATE 2000-2001	FORECAST 2000-2001	ESTIMATE 2001-2002	ESTIMATE 2002-2003	ESTIMATE 2003-2004	ESTIMATE 2004-2005
Revenue	4,794.9	5,044.5	5,134.8	5,248.8	5,314.7	5,485.2
Net Program Expenses	4,058.0	4,160.9	4,271.0	4,298.3	4,313.1	4,380.1
Restructuring Costs	88.0	74.6	53.7	53.7	73.1	117.2
Net Program Expenses	4,146.0	4,235.5	4,324.6	4,352.1	4,386.1	4,497.4
Debt Servicing Costs	1,049.5	1,097.3	1,043.4	1,035.9	1,063.7	1,098.0
Less: Sinking Fund Earnings	(150.4)	(126.6)	(134.5)	(139.8)	(138.4)	(141.6)
Net Debt Servicing Costs	899.1	970.7	908.9	896.1	925.2	956.4
Net Expenses	5,045.2	5,206.2	5,233.5	5,248.2	5,311.3	5,453.8
Net Income (Losses) Government Business Enterprises	(17.9)	(37.2)	8.0	8.0	8.0	8.0
Provincial Surplus (Deficit)	(268.1)	(198.9)	(90.7)	8.6	11.4	39.4

NOVA SCOTIA

Department of Finance

For other 2001–02 budget information,
visit the Department of Finance website at
www.gov.ns.ca/finance

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Budget Bulletins
Province of Nova Scotia

MUNIT HAEC ET ALTERA VINCIT

for the fiscal year 2001-02

THE HONOURABLE NEIL J. LEBLANC, MINISTER OF FINANCE

NOVA SCOTIA
Department of Finance

Budget Bulletin

Fiscal Plan: On Track

- *2000–01 deficit lower than anticipated*
- *2001–02 budget on track*
- *$130-million tax cut in 2003–04*

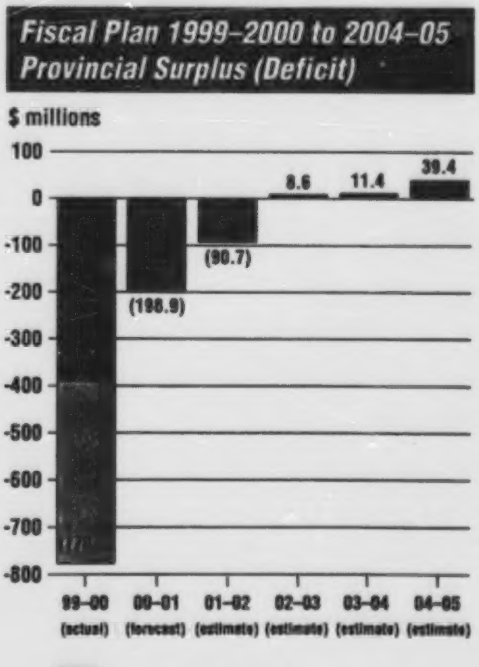
Halifax: March 29, 2001

The four-year plan the Nova Scotia government implemented last year to achieve financial stability is on track. In fact, year one finished ahead of projections. A deficit of $199 million is expected to be recorded in 2000–01, an improvement of $69 million over the amount budgeted.

For year two, 2001–02, a deficit of $91 million is expected to be followed by small surpluses in 2002–03 and 2003–04. In the fourth year, 2003–04, Nova Scotians will receive a 10 per cent provincial income tax cut that will put more than $130 million back into the hands of the people who earned it.

Critical to the plan is controlling expenses, especially in health. The plan aims to keep spending growth lower than the increase in revenues for each year.

Solid economic growth has resulted in higher-than-budgeted personal income tax and HST revenues in 2000–01. These provincial-source revenues are important, because they reflect economic growth in Nova Scotia with more people working and higher consumer spending. This revenue has enabled the government to achieve its first-year target and plan investments for 2001–02, which will yield long-term results.



Fiscal Plan 1999–2000 to 2004–05
Provincial Surplus (Deficit)

NOVA SCOTIA
Department of Finance

Contact: David MacNeil (Finance)
(902) 424-8787;
e-mail: macneidf@gov.ns.ca

For other 2001–02 budget information, visit the Department of Finance website at www.gov.ns.ca/finance.

Budget Bulletin

Improved Support for Children and Families

- *$9.1 million for Early Childhood Development Program*
- *Nova Scotia Child Benefit increases*
- *$3 million to support children with special needs*

Halifax: March 29, 2001

Nova Scotia is increasing its commitment to help children get the best possible start in life.

To support new parents and young children, $9.1 million will be invested to create the Early Childhood Development Program. This program will include a comprehensive home visiting program for expecting and new mothers—in their homes, in the hospital, and back in their communities. Over four years, this program will also help create new nursing positions and "lay" visitor positions to support the new mother and her family as much as possible.

Government also recognizes the need for enhanced child-care services and will provide start-up grants for non-profit child care centres and new grants to increase salaries to retain and recruit competent, caring staff to look after our children.

Addressing child poverty is also a top priority for government. Beginning in July 2001, the Nova Scotia Child Benefit (NSCB) will increase and combined with the National Child Benefit will provide a standard benefit of $1,700 per year to all children in low-income families. The combined standard benefit will replace children's personal allowances in social assistance budgets. This restructuring of rates will eliminate future clawbacks of the NCB from social assistance recipients. Also, because it is now indexed to the cost of living, families receiving social assistance can look forward to annual increases.

Community Services' budget also includes taking on an additional $11 million in social assistance costs from municipalities as part of the municipal-provincial agreement signed in 1998. This is year four of a five-year plan for the province to assume the full $44-million cost of social services.

Children of all ages have different needs. Approximately 17 per cent of school-aged children receive some form of special help. This budget continues to support children with special needs with an additional $3 million to improve programs and services. Funding will help build a

NOVA SCOTIA
Department of Finance

comprehensive special education system that provides a more consistent and accessible level of service province-wide. As well, professional development support for teachers and others in the education system will assist them in specialized planning and supports for students with special needs.

Contacts:

Michelle Whelan (Community Services)
(902) 424-4326
e-mail: whelanme@gov.ns.ca

Lynne Godlien (Education)
(902) 424-8286
e-mail: godlielm@gov.ns.ca

For other 2001–02 budget information,
visit the Department of Finance website at
www.gov.ns.ca/finance.

Budget Bulletin

Successful Literacy Program Expands

Halifax: March 29, 2001

Every student entering junior high school in Nova Scotia should be able to read and write—the basic building blocks of success.

To help achieve this goal, giving our children a solid foundation in reading at an early age—and evaluating their progress at critical grade levels—is a government priority. This budget directs more than $900,000 toward additional literacy supports and testing. This program is one example of government strategically and responsibly investing in the priority areas of Nova Scotians.

This coming school year, the Active Young Readers Program will be expanded to include students in grades 4 to 6 and will focus on "reading to learn." This program expansion has its roots in the successful elementary literacy program and will introduce more assessment measures to ensure young Nova Scotians are on the right track to achieving proficient reading skills before leaving junior high.

The new 4-to-6 program includes new books and resources for students and new training and professional development opportunities for teachers.

Additionally, government is committed to evaluating and assessing reading skills at critical grade levels. Through testing of their reading and writing skills, students who need additional assistance will be identified and provided support to give them the extra attention they need to meet their full potential in the language arts.

This coming school year, the results of the grade 6 language arts assessment to evaluate students' reading and writing skills will be reported to parents for the first time. This will eventually be followed by an additional assessment in grade 9. Students are already assessed in grade 12.

Contact: Lynne Godlien (Education)
(902) 424-8286
e-mail: godlielm@gov.ns.ca

For other 2001–02 budget information,
visit the Department of Finance website at
www.gov.ns.ca/finance.

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Department of Finance

Budget Bulletin

Public School Funding

Halifax: March 29, 2001

Education is a clear priority for Nova Scotians.

Recognizing the importance of a high-quality education for our children, government is increasing funding to school boards in 2001–02 by $13 million—a 2 per cent increase.

In addition to direct funding to school boards, approximately $1.2 million in funding for the Department of Education has been earmarked to support a number of new public school initiatives, including: expanding the successful Active Young Readers program to continue promoting reading skills and testing; piloting a Canadian history course in both English and French; continuing support for racial equity initiatives; and ensuring a safe learning environment for students and teachers through a safe schools initiative.

In 2001–02, seven new schools will be completed, and construction will begin on four more as part of the government's announced commitment to construct 17 new schools through 2004.

With this budget, the government continues to make an investment in education at the same time that student enrolment is declining. Verified student enrolment numbers (as of September 30, 2000) show a drop of 2,279 students—a 1.45 per cent decrease— while funding to school boards is increasing by 2.1 per cent. It is projected that enrolment levels will have continued to decline by another 2,000+ students when numbers are verified at the end of the current school year.

In addition, on a provincial basis, the student-to-teacher ratio is projected to improve slightly from the current average of 16:1.

The following table shows a 30-year trend in student enrolment and total teachers in the public school system.

Year	*Students*	*Teachers*
1960–61	178,563	6,604
1970–71	215,889	10,241
1980–81	185,585	10,904
1990–91	165,739	10,417
1999–2000	158,205	9,611

Contact: Lynne Godlien (Education)
(902) 424-8286
e-mail: godlielm@gov.ns.ca

NOVA SCOTIA
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Budget Bulletin

What It Means for Seniors

- *$1.5 million to improve access for seniors to continuing care province-wide*
- *Long-term care funding increased $19 million to $175 million*
- *Home care funding increased to $110 million*
- *$50 per day fee for long-term care patients in hospital*
- *No change in Pharmacare premiums or co-payments*

Halifax: March 29, 2001

As Nova Scotians grow older, government is making strategic investments to ensure the programs seniors need can be sustained, now and into the future. This is being accomplished by making decisions based on evidence and identifying ways to manage growth in costs.

Government will invest $1.5 million to begin expanding a new, streamlined system for seniors accessing continuing care. All seniors will have their needs assessed, ensuring they receive the right level of care. Those with greatest needs for nursing home care will be placed first. Early results show that the system—being tested in eastern Nova Scotia—has reduced wait lists for nursing homes, while freeing up expensive acute care beds in hospitals. As the system expands province-wide, seniors will receive more appropriate care, delivered more cost-effectively.

As seniors move out of expensive hospital beds, investments are being made in alternative levels of care. Long-term care funding will be increased by $19 million to an estimated $175 million in 2001–02. This funding includes wage and benefit increases for staff in long-term care facilities to help retain competent and caring individuals to work with Nova Scotian seniors.

As well, demand is expected to increase for home care or other community supports, so seniors can remain at home longer—closer to family and friends. To respond, investment in home care will increase $10.5 million to an estimated $110 million in 2001–02.

The combined, long-term effect of these investments will see seniors getting more appropriate care, delivered more cost-effectively. As an interim measure, government will expand province-wide a policy—tested in Cape Breton last year—that recognizes what a hospital bed is being used for. Once a senior has been medically discharged, they will be charged $50 a day while

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they remain in hospital as a long-term care patient. This fee is lower than what they will pay once they enter a nursing home, but brings some consistency in how all long-term care patients are treated. While expected to generate $1 million in 2001–02, this revenue is expected to decline, as nursing home wait lists drop, and seniors are placed more quickly.

In 2001–02, Pharmacare premiums or co-payments will not increase. However, drug costs continue to grow faster than any other component of the health care system, and, as our population ages, more seniors will need to rely on the program. Over the next year, government will work with physicians, pharmacists, and seniors' groups on ways to ensure the program remains accessible and affordable. Along with continuing efforts to manage growth in costs, this work will also consider how future increases can be implemented as fairly as possible.

Contact: Sue McKeage (Health)
(902) 424-7942
e-mail: mckeagsm@gov.ns.ca

For other 2001–02 budget information,
visit the Department of Finance website at
www.gov.ns.ca/finance.

Budget Bulletin

What It Means for Rural Nova Scotians

- *$10 million to improve rural roads*
- *$1 million to build on tourism, culture, and heritage*
- *$500,000 to expand community-based transportation services*
- *$1.3 million more for silviculture*
- *$2.2 million to provide agricultural specialist services*
- *$125,000 more for fisheries enforcement*

Halifax: March 29, 2001

The 2001–02 budget includes several initiatives specifically designed for Nova Scotians living in rural areas.

Again this year, the Department of Transportation and Public Works will spend $10 million on improving rural secondary roads. These are roads that are largely unpaved and more susceptible to damage from frost, rain, and other weather conditions. They are often important links within and between rural communities.

The $10 million will be used for asphalt patching, regravelling, ditching, and brush clearing. This brings to $18 million the total amount spent on or committed to improving rural roads since April 1, 2000.

Transportation-related issues are often dominant in rural areas. The lack of public transit means people without access to a vehicle or unable to drive are dependent on friends or family for transportation. This problem is especially felt among people with low incomes, seniors, and people with disabilities.

To help fill this void in rural areas, Service Nova Scotia and Municipal Relations will make available grants to community-based transportation services and help establish them where they do not currently exist. These services are often provided by service organizations or other non-profit community groups. They generally focus on providing transportation to medical appointments for seniors and people with disabilities. The new funding will help service providers to maintain what they do now and expand into providing transportation to skills training and other education opportunities.

SNS&MR will provide technical advice and assistance as well as $500,000 in grants to community-based transportation services across Nova Scotia. In year two of the program, municipalities will be asked to contribute. While municipal involvement will be voluntary, it will

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also be critical to continued operation of this program.

The tourism, culture, and heritage sectors are making significant contributions to Nova Scotia's economy and quality of life in all regions of the province. The government's goal is to make tourism a $1.5-billion industry by 2004 and to capitalize on investment opportunities and development potential in our culture and heritage sectors. This year, the Department of Tourism and Culture will invest an additional $1 million to build on the tourism, culture, and heritage strengths in rural Nova Scotia.

Nova Scotia will continue to aggressively market the province in partnership with the Tourism Partnership Council to promote Nova Scotia as a year-round destination. To support the goal of industry and government to build a 12-month season, we will be investing in provincial and community visitor information centres to foster extended operations and encourage year-round service.

The Department of Tourism and Culture will also make new investments in cultural industries and support opportunities for cultural development at the regional and community level. To generate increased export sales of cultural products and to support communities in pursuing cultural development priorities, $400,000 will be directed at new partnerships with cultural producers and distributors.

Pilot initiatives were introduced in 2000 aimed at economic growth in rural communities in the tourism, culture, and heritage sectors. These will be continued, with $100,000 targeted at community museums for the preservation and promotion of Nova Scotia's heritage and $500,000 to assist initiatives designed to support economic and industry growth through partnerships with tourism and culture businesses.

Traditional industries continue to play an important role in the Nova Scotia economy and are the lifeblood of many rural communities. Approximately 18,000 Nova Scotians are employed in fisheries, agriculture, and forestry alone. Properly managed, these industries can continue to provide employment for many years to come. It is with this goal in mind that the government will be making additional investments in traditional industries, particularly fisheries, agriculture, and forestry.

The Department of Natural Resources will spend an additional $1.3 million for a total of $3.5 million on silviculture on Crown land. Silviculture is a forest management practice that includes such activities as weeding, thinning, and planting to grow a healthier and more productive forest. By using silviculture, each hectare of managed woodland can produce three to four times more wood than a natural stand.

The Department of Agriculture and Fisheries is making good on its commitment to provide professional consulting services to Nova Scotia's farmers. The department has budgeted $2.2 million for the Agricultural Development Institute (ADI), which will begin offering services this spring.

ADI will be hiring eight specialists to offer advice and services in livestock, horticulture, forage and field crops, pest management, and weeds. The ADI specialists will also monitor for diseases and insects and support training and education initiatives.

In order to preserve and protect Nova Scotia's fisheries resource, the Department of Agriculture and Fisheries will increase its enforcement budget by $125,000. This money will be used to hire more enforcement staff and legal services.

The Department of Natural Resources will be following through on its plan to end full-time services at the Stellarton drill core library. The facility will still be available to the industry on an as-needed basis. Mining industry representatives have been kept abreast of these developments since last year.

Contacts:

Natalie Webster (Agriculture and Fisheries)
(902) 424-0192
e-mail: webstenj@gov.ns.ca

Angela Campbell (Natural Resources)
(902) 424-2354
e-mail: campbeam@gov.ns.ca

Ross McLaren
(Transportation and Public Works)
(902) 424-8687
e-mail: mclarera@gov.ns.ca

Kevin Finch
(Service Nova Scotia and Municipal Relations)
(902) 424-2733
e-mail: finchkh@gov.ns.ca

Angela Poirier (Tourism and Culture)
(902) 424-1593
e-mail: poirieam@gov.ns.ca

For other 2001–02 budget information,
visit the Department of Finance website at
www.gov.ns.ca/finance.

Budget Bulletin

Turning the Corner on Roads and Highways

- *$49 million (including $11 million in new money) in capital funding for roads and bridges*
- *Pressure Ottawa for National Highway System funding*

Halifax: March 29, 2001

Our highways are critical links to our communities and the health of our economy. However years of underfunding have impacted on our roads and bridges. Last year, government started to reverse this trend by not cutting the highways budget. This year, government is going even further by committing $11 million in new capital funding to the repair and maintenance of our roads and bridges.

The Department of Transportation and Public Works has identified almost 11,000 kilometres of 100-series and secondary highways that need rehabilitation. The cost today to bring these roads up to acceptable standards would be $3.4 billion over the next 10 years. This includes $560 million just for replacing and fixing bridges, $1 billion for twinning and expanding primary and secondary highways, and $1.4 billion for improving existing primary and secondary highways. The remainder is required for badly needed paving and upgrading of rural and local roads.

The Nova Scotia government recognizes the severity and the enormity of this problem and is committing $49 million in capital funding to road and bridge repair in 2001–02. This is $11 million more than the previous year, but falls far short of the $340 million that is required over each of the next 10 years.

The $11 million is part of a three-year plan to fulfill government's commitment to increase funding for road construction by $31 million.

A major effort to convince Ottawa to fund a fair and appropriate share of highway construction will continue. About 70 per cent of our 100-series highways are part of the National Highway System. Nova Scotia is expected to receive $2.5 million from Ottawa in 2002 to assist with highways. This is less than 2 per cent of the estimated $137 million Nova Scotians paid last year in federal fuel tax.

Nova Scotia has also set aside $5 million in capital funding in this fiscal year to begin the twinning of Highway 101 if federal cost-shared dollars become available.

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The total budget for the Department of Transportation and Public Works appears smaller compared to 2000–01, but this is because the office-leasing budget is now distributed among individual departments. In previous years, leasing costs for all of government were located in TPW's budget.

Contact: Ross McLaren
(Transportation and Public Works)
(902) 424-8687
e-mail: mclarera@gov.ns.ca

For other 2001–02 budget information, visit the Department of Finance website at www.gov.ns.ca/finance.

Budget Bulletin

Closing the Skills Gap

- *$4.2-million increase for NSCC*
- *Virtual Campus expands*
- *$200,000 Youth Pathways and Transitions program*
- *$1.5 million for Nova Scotia School for Adult Learning*
- *$5 million more for universities*
- *$15 million for research*

Today, there are more jobs than qualified people to fill them, yet our unemployment rate is 9.1 per cent.

Many of these jobs require technical, skills-oriented training. Yet, although Nova Scotians are among the most highly educated in the country, of those who go on to post-secondary education, just 20 per cent go to community college while 80 per cent choose university. The national average of Canadians choosing community college is 43 per cent. As a result, we need more people with skills to fill new jobs in industries like high tech, construction, and the offshore.

Making sure Nova Scotians are prepared to harness opportunities and jobs in the new economy is what closing the skills gap is all about. The 2001–02 budget includes a number of measures to support training, higher education, and lifelong learning and to strengthen Nova Scotia's research capabilities.

Operating grants to the Nova Scotia Community College (NSCC) will increase by $4.2 million, to help create up to 200 more seats, expand program options, and develop student skills to meet labour market demands.

Studies have long shown the positive relationship between education, employment, and income. NSCC will expand its Virtual Campus to make opportunities available outside of traditional classroom learning. More than 800 Nova Scotians enrolled in NSCC's Virtual Campus receive the programs and training they need to upgrade their skills without having to leave home or work.

Preparing career-focused high school students with basic employability skills and raising awareness about opportunities in their local communities and at community college is the focus of the new $200,000 Youth Pathways and Transition initiative. Beginning in middle school, Nova Scotia youth will use individual career portfolios to track the basic skills needed for

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employment. Nova Scotia will be one of the first provinces to use the Employability Skills 2000+ list developed through the Conference Board of Canada. This means that, for the first time, career preparation will be linked to the skills needed for success identified by educational and business leaders. The program also provides students with the option of connecting their high school courses to specific programs at the Nova Scotia Community College and gaining recognition for credit in specific college programs.

As part of the government's focus on providing adult Nova Scotians with access to a high school education, $1.5 million is directed to the new Nova Scotia School for Adult Learning. The school was announced in late 2000 as part of the government's Adult Learning Initiative, which included the creation of a Nova Scotia High School Diploma for Adults.

Scheduled to open in September, the school will coordinate the delivery of adult education programs from basic literacy to high school completion and grant the Nova Scotia High School Diploma for Adults. The funding will be used to cover course tuition at various partnering agencies across the province (i.e., NSCC, Collège de l'Acadie), school boards, and program administration.

Nova Scotia's universities will receive additional funding again this year, the fourth consecutive increase, recognizing the important role universities play in Nova Scotia's knowledge economy, research and innovation. Total operating funds will increase from $196 million to $201 million, or a total of $5 million.

Innovation is the source of economic growth—creating and commercializing ideas—and Nova Scotia's research interests have been significantly under-funded for too long. A total of $15 million will be made available to universities, colleges, and research institutes to support research, knowledge, and innovation. Government is allocating $15 million from the 2000–01 budget to lever funding through the Canadian Foundation for Innovation and other partners. This could dramatically increase research and development in Nova Scotia by as much as 40 per cent.

Contact:

Lynne Godlien (Education)
(902) 424-8286
e-mail: godlielm@gov.ns.ca

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visit the Department of Finance website at
www.gov.ns.ca/finance.

Budget Bulletin

Keeping Our Water Safe

- *$850,000 Clean Water Strategy*
- *$195 million available for "green" infrastructure*
- *School water testing*

Halifax: March 29, 2001

Water is the life blood of the environment. In Nova Scotia we are lucky to have plentiful supplies of good drinking water sources, and government wants to keep it that way. Waste and wastewater treatment, water testing, public health practices and education underscore our need for maintaining and improving water quality and quantity.

Environment and Labour is the lead department in managing Nova Scotia's water resources and will soon release its Clean Water Strategy. A total of $850,000 will be dedicated to the efficient and sustainable use of Nova Scotia's water resources, proactive management, education, and protection of our ecosystems.

The Government of Nova Scotia will implement its water resource management strategy on behalf of, and with the help of, all Nova Scotians, recognizing that the state of the public's water resources is critical to the province's future.

A minimum of $195 million from provincial, federal, and municipal governments will be available under the Canada–Nova Scotia Infrastructure Program for the renewal of the physical infrastructure that communities need to attract and support economic growth, beginning with the most basic—the infrastructure that provides us with clean, healthy water.

Under the six-year Canada–Nova Scotia Infrastructure Program, the Nova Scotia government will invest $65 million in individual projects with a focus on "green" infrastructure, including projects related to water and wastewater systems, water management, solid waste management, and recycling. Approximately $13 million of the province's portion will be spent in 2001–02. This brings the total investment in this program since 1994 to $147 million, which will result in $441-million-worth of work completed around the province by 2006.

Approximately $1 million of this year's budget is allocated for the safety of children in Nova Scotia's schools, including regular water quality testing and maintenance. School boards are responsible for implementing many of the occupational

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health and safety regulations, and it is important to ensure they have the tools to keep teachers, staff, and students safe.

Government is thinking in terms of sustainable development—using and managing resources and the environment in a way that maintains a strong economy and preserves a healthy environment today and in the years to come.

Contacts:

Steve Warburton (Environment and Labour)
(902) 424-2575
e-mail: warbursb@gov.ns.ca

Kevin Finch
(Service Nova Scotia and Municipal Relations)
(902) 424-2733
e-mail: finchkh@gov.ns.ca

Lynne Godlien (Education)
(902) 424-8286
e-mail: godlielm@gov.ns.ca

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visit the Department of Finance website at
www.gov.ns.ca/finance.

Budget Bulletin

Offshore Royalties Increasing

- *Royalties to reach $14 million in 2001–02*
- *$1 billion committed to exploration*

Halifax: March 29, 2001

Relatively strong North American natural gas prices are setting the stage for significant increases in royalty revenues for the Province of Nova Scotia. Royalty payments from the offshore are estimated to reach $14 million in budget 2001–02 compared to the original budget 2000–01 estimate of $6 million. The royalty rate on the Sable Offshore Energy Project (SOEP) is fixed at 1 per cent of gross revenues for the first three years of the project (2000, 2001, and 2002). The rate cap is removed at the end of 2002.

The government expects project owners to have recovered a significant portion of their investment when the rate cap is removed. The minimum royalty payment rate at that time will be 2 per cent of gross revenues. The actual rate depends upon how much investment recovery has occurred.

Once the investment has been recovered and a reasonable rate of return is achieved, royalty rates switch from being calculated on gross revenues to being calculated on net revenues. Net revenues are the cash flow from a project less the direct expenses.

On the Sable Project, the minimum net revenue royalty rate is 30 per cent topping out at 35 per cent. Based upon the assumption of strong natural gas prices in the short term, net revenue royalties are forecast to begin as early as 2005 or 2006. Current projections show yearly royalty revenues from SOEP to peak at around $300 million annually. SOEP offshore royalties will be a significant revenue generator for the province for the next 20 years.

The current long-term projection of $2.5 billion in royalties from SOEP is based upon the assumption that natural gas prices will fall to lower levels in 2003. This projection is based upon a long-term average natural gas price of $2.50 US/MMbtu netback at Goldboro (i.e., sales price before transportation tolls) in constant 1995 dollars.

Future offshore energy projects in Nova Scotia fall under the province's "Generic Royalty Regime." This regime is designed to encourage risk and exploration in areas and depths where much less is known about hydrocarbon potential. The first project in such a new "high-risk" area has a cap on the net revenues at 20 per cent. Subsequent projects in these and other "low risk" areas would see net royalties rise to 35 per cent.

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Prior to the establishment of the generic regime incentives, exploration commitments offshore Nova Scotia stood at approximately $200 million. Since the generic royalty regime was put in place, Nova Scotia has seen an additional $800 million committed to exploration activity in the offshore, for a current total of more than $1 billion on 50 exploration blocks. Forty exploration wells at a cost of $25 to $50 million each are expected to be drilled over the next four years.

The first offshore project under this generic royalty regime is expected to be PanCanadian's billion-dollar, one-trillion-cubic-feet Deep Panuke Project. Nova Scotia is expecting additional royalty revenue from this project, which is scheduled to commence production in 2005. Once a development plan is filed (fall of 2001), the province will be in a position to project royalty revenues for this project.

Based upon the fact that the Deep Panuke exploration program took place in a previously unexplored geological structure, the province designated this area as "high-risk" for royalty purposes before exploration took place.

Royalty revenue projections for the Department of Finance are prepared by the Nova Scotia Petroleum Directorate based upon NYMEX futures market prices, royalty estimates, historic movement of the commodity prices, actual sales proceeds, and terms of sale contracts. Royalty projections for budget 2001–02 are based upon the following assumptions: above-average natural gas prices for 2001 ($4.50 US) and lower, but still above-average prices in 2002 ($3.00 US). The average daily production rate for 2001–02 is assumed to be 520 mmcf/d.

Contact:

Bruce Cameron (Petroleum Directorate)
(902) 424-2288
e-mail: cameronb@gov.ns.ca

For other 2001–02 budget information, visit the Department of Finance website at www.gov.ns.ca/finance.

Budget Bulletin

The Right Tools to Make the Right Decisions

- *Three-year plan to implement health and education information management systems*
- *$9 million committed in 2001–02 to Health information management system*
- *$4 million for education information management system*

Halifax: March 29, 2001

A major investment is being made to ensure Nova Scotia's health and education systems have the information technology tools needed for evidence-based quality planning and long-term decision making.

The Department of Health will invest $9 million as a first step in purchasing information hardware and software that are needed in the Nova Scotia health care system. Implementing the system will take three years.

The new health information management strategy will standardize hospital information provincially in such areas as patient administration, laboratory, pharmacy, diagnostic imaging, and order management. This is a tangible step towards the department's goal of a more efficient and accountable health system that will have the long-term result of improving clinical care.

Electronic health records will begin to replace paper records, making it easier and faster to update patient information and for clinicians and hospitals to access the information they need. A new information management system will also help hospitals learn more about how many patients they are seeing for what services at what time of the day and give a correct read of wait times, information they need to provide for efficient planning.

The government will invest $4 million from its 2000–01 budget in an information management system to help improve the efficiency of school board operations and overall accountability in the system. The system will accommodate the collection of a wide range of public school–related data in order to make the right decisions based on the right information.

Contacts:

Sue McKeage (Health) (902) 424-7942
e-mail: mckeagsm@gov.ns.ca

Lynne Godlien (Education) (902) 424-8286
e-mail: godlielm@gov.ns.ca

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Budget Bulletin

Better Accountability for Taxpayers' Dollars

- *Accountability provisions to apply wherever public dollars are spent*
- *Planning and accountability expected from social agencies receiving government funding*

Halifax: March 29, 2001

More than half of the provincial budget flows out to arm's-length agencies, boards, commissions, and the new district health authorities.

To make good on the government's expectation that every taxpayer will be treated with respect and every tax dollar with care, government will take steps in 2001–02 to ensure that all organizations receiving provincial funding can be held fully accountable for the money they spend.

A planning, budgeting, and accountability framework is developed to promote better management overall and improve how we allocate money to our priorities. Treasury and Policy Board will be given a stronger mandate in legislation to require that all funds are carefully budgeted and accounted for, both in government departments and funded agencies and organizations. Annual business plans—along with measurement and reporting on goals—are required for the Government of Nova Scotia as well as departments, Crown corporations, and other consolidated entities. A Government of Nova Scotia reporting document will be published by December 31 this year. Other government-funded entities will be expected to adopt a planning and budgeting framework over time.

Accountability for how they spend public funds will also be expected from the many social and community groups that receive core funding from government. Each year, the departments of Community Services, Health, Education, and Justice contribute more than $45 million in core funding to independent community-based agencies. These agencies provide important services to thousands of Nova Scotians, and the government contribution is often the bulk of their annual funding.

These organizations and the departments will discuss financial accountability measures required by government from the community agencies in return for funding and enter into service agreements. The agreements will be phased in over three years, starting with the recipients of the largest grants.

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The Financial Measures (2000) Act imposed a number of accountability measures on direct and indirect government spending. Among these were the requirement that school board and health authorities deficits be made up the following year so that short-term deficits do not accumulate into long-term debt. Another feature is that government departments must fund new programs out of current budgets.

Contacts:

Cathy Shaw (Treasury and Policy Board)
(902) 424-4879
e-mail: shawcm@gov.ns.ca

Michelle Whelan (Community Services)
(902) 424-4326
e-mail: whelanme@gov.ns.ca

For other 2001–02 budget information, visit the Department of Finance website at www.gov.ns.ca/finance.

Budget Bulletin

Cost-Recovery Measures

- *Recovering from those who most benefit from a service*
- *Fees that are fair to users and fair to taxpayers*

Halifax: March 29, 2001

All taxpayers contribute towards the cost of providing the hundreds of programs and services available from the Nova Scotia government. However, some Nova Scotians use these programs and services more often than others, and many never use them at all.

The principle behind cost-recovery measures is that the people who most directly benefit from or use a particular program or service should contribute more of the cost of providing the program or service. Putting this principle into practice means determining what level of cost-recovery is fair to the user and fair to taxpayers.

For example, the Child Abuse Registry search is used to check the history of prospective employees. This fee is waived for individuals who, for example, require a search to become a foster parent, adopt a child, or do volunteer work.

The sum of these measures is expected to generate $2 million in revenue.

Following is a summary of cost recovery measures being implemented in 2001–02.

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Budget **Bulletin** — **Cost-Recovery Measures** Halifax: March 29, 2001

Fee Increases	*Old Fee*	*New Fee*	*Total Generated*
NS Agriculture College, tuition increase	$400/course	$416/course	$150,000
Registry 2000	$40	$70	$1.1 million
Marine plant access	$1/wet ton	$2/wet ton	$30,000

New Fees	*Fee Amount*	*Total Generated*
Well drillers' permit	$100/well	$120,000
Natural gas refueling station	$50	$5,000
Life income fund amendments	$250	$20,000
Child Abuse Registry search	$20	$75,000

Several cost-recovery measures to ensure that industry pays its fair share to help maintain safe water and clean air are proposed by the Department of Environment and Labour over the next two years. For example, the department will start to charge a fee to cover the costs of processing industrial approvals required for the operation of large facilities such as power plants, refineries, and pulp mills.

Industrial Approval Processing Fees		$110,000 (Total)
• Class 1 approval	$6,500	
• Class 2 approval	$2,500	
• Class 3 approval	$1,000	
• Amendment to approval	50% of above fee	
• Approval renewal	$500	
• Approval transfer	$250	
• Variance certificate	$500	

Charges based on sulphur dioxide (S02) air emissions are also proposed. These will help to encourage industries to reduce S02 emissions over a period of time.

Industrial Approval Administrative Fees—Air (SO2) Emissions $175,000 (Total)

• 1,000+ tonnes SO2	$1/tonne
• 100–1,000 tonnes SO2	$1,000 flat fee
• Less than100 tonnes SO2	$500 flat fee

Water users will also contribute to the cost of maintaining safe water through proposed new fees to recover a portion of the costs of monitoring compliance with the terms of written approvals for water systems.

Water Withdrawals

Water withdrawal approvals processing fee	$250	$2,500

Water withdrawal approvals—annual administrative fee $77,000 (Total)

• Hydroelectric	$500
• Industrial, bottled, recreational, agriculture, aquaculture, other approved public drinking water supply	$200

Measures are also proposed that will ensure that large petroleum storage tanks at bulk plants, service stations, industrial plants, commercial establishments, public buildings, and farms are properly inspected and tagged. This initiative will help to minimize the potential for petroleum leaks that are costly and harmful to the environment.

Petroleum Tank Tagging (tag valid for 3 years) $200,000 (Total)

• Bulk plant, motive fuel, commercial, industrial	$300
• Government—NS and municipal	$150
• Residential, farm, non-profit	$75

Contact:

Natalie Webster (Agriculture and Fisheries)
(902) 424-0192
e-mail: webstenj@gov.ns.ca

Steve Warburton (Environment and Labour)
(902) 424-2575
e-mail: warbursb@gov.ns.ca

Michelle Whelan (Community Services)
(902) 424-4326
e-mail: whelanme@gov.ns.ca

Kevin Finch
(Service Nova Scotia and Municipal Relations)
(902) 424-2733
e-mail: finchkh@gov.ns.ca

For other 2001–02 budget information, visit the Department of Finance website at www.gov.ns.ca/finance.

Budget Bulletin

Debt and Debt Servicing

- *Province's Net Direct Debt on March 31, 2001 is forecast to be almost $11.5 billion*
- *Interest payments are budgeted at $909 million in fiscal year 2001–02*

Halifax: March 29, 2001

In the fiscal year 2001–02, the Nova Scotia government will pay more money in interest on the provincial debt than it will on educating children in public schools. Without a change in financial direction, children in Nova Scotia's primary class of 2001 could still be paying off the provincial debt when their own children start school in 25 years' time. The only way to start turning this around is to stop deficit financing and begin achieving surpluses.

The province paid $971 million in debt-servicing costs in 2000–01, up from $827 million in the previous year. Most of this increase was due to the assumption of the debt of Nova Scotia Resources Limited, financing of budgetary deficits, interest on P3 school and other leases, and the province taking over from school boards their early retirement pension obligations. The remainder is largely due to currency changes.

In order to refinance maturing debt, to fund the current deficit and other cash requirements, the province expects borrowing to be just over $1 billion in 2001–02. The Nova Scotia government has financed its debt largely through the issue of bonds in the Canadian, United States, Japanese, and European markets. These bonds are rated by credit-rating agencies. Generally, the amount of interest the province pays depends in part on these ratings and the appetite of investors to buy Nova Scotia debt. The higher the bonds are rated, the better the province's access to markets and the lower the rate of interest the province must pay. Nova Scotia's bond issues are generally purchased by underwriters, such as securities firms. These securities firms in turn sell the bonds to investors, such as individuals, pension funds, and insurance companies.

Contact: David MacNeil (Finance)
(902) 424-8787
e-mail: macneidf@gov.ns.ca

For other 2001–02 budget information,
visit the Department of Finance website at
www.gov.ns.ca/finance.

NOVA SCOTIA
Department of Finance

Budget Bulletin

Government Communications Consolidated

Halifax: March 29, 2001

The process of consolidating all of government's communications services under one roof is complete. Communications Nova Scotia, government's central communications agency, now houses all government communications staff and has direct or oversight responsibility for all communications-related functions.

The approximately 40 communications directors and officers employed by the province are in turn assigned departmental responsibilities. Government's total complement of communications personnel has remained constant over the past two years.

As a result of this and other changes, the Communications Nova Scotia's budget increased about $1.2 million. Other changes include consolidation of government print operations at the agency and an accounting change designed to show the full costs of communications-related activities and to capture some internal efficiencies.

Contact:

Jim Vibert, Executive Director
Communications Nova Scotia
(902) 424-4886

For other 2001–02 budget information, visit the Department of Finance website at www.gov.ns.ca/finance.

NOVA SCOTIA
Department of Finance

Budget Bulletin

Tax Credit Review Completed

- *HST rebate on new homes capped at $1,500; available only to first-time home buyers*
- *Small Business Tax Credit retained with refinements*
- *Equity Tax Credit extended to Dec. 31, 2003*
- *Labour-Sponsored Venture Capital Corporation Tax Credit to continue with minor changes*
- *HST rebates for fire departments, printed books, and persons with disabilities to continue unchanged*

Halifax: March 29, 2001

In the 1999–2000 budget address, the Minister of Finance announced a review of all provincial tax credits and rebates. The review was intended to ensure that any tax loopholes were closed and that the credits were still meeting the intention for which they were created. Tax credits and rebates are revenues government declines to collect in order to create a social or economic benefit to the province.

The review process began with an inventory of credits and rebates. Consultations were then held with credit and rebate users and accounting and legal professionals. Phase I of the process was completed in April 2000, and changes to six credit and rebate programs were included in the 2000–01 budget. The second and final phase of the review dealt with the following credits and rebates.

HST Rebate for New Housing

The objective of this rebate is to make home ownership more affordable for low- to middle-income Nova Scotians and to encourage construction of new housing. The rebate is available to buyers of newly constructed homes, regardless of price, and is equivalent to 18.75 per cent of the provincial portion of the HST (or 1.5 per cent of the purchase price), to a maximum of $2,250 per home. This maximum is reached at a home valued at $150,000.

Since its creation in 1997 through 1998, this credit has cost $6.6 million. Most claims (86.5 per cent) were for homes costing less than $150,000.

Decision

A major intention of this rebate was to assist low- and moderate-income Nova Scotians become homeowners. As the rebate currently applies to anyone, regardless of the value of the new home, it is not meeting the intention for which it was created. At a time of scarce resources, fairness and equity dictate that government assistance should be directed to those most need the rebate to

NOVA SCOTIA
Department of Finance

become homeowners. The rebate will therefore be limited to first-time home buyers, and the maximum rebate will be reduced to $1,500. The maximum will be reached at a home price of $100,000.

These new rules will be effective January 1, 2002. Transition rules will be developed to ensure that individuals building homes during the current construction period will not be affected.

New Small Business Tax Credit

The credit was created in 1986 to assist small businesses during the critical early years of operation by freeing up more working capital. It effectively eliminates the provincial corporate income tax for the first three taxation years of a new small business (two years for those incorporated between 1986 and 1992). Through 1998, more than 1,700 small businesses had qualified for $7-million worth of credits. Surveys have shown that recipient firms had a 72 per cent survival rate, compared to 55 per cent for all businesses. These firms have reported that the most significant benefit of the credit is that it increases the level of working capital available to the company.

Decision

The NSB tax deduction will continue, as it is meeting its intention of providing working capital to new small businesses. In order to maximize the credit's impact on job creation, the following changes will be made:

- The credit will be limited to companies with at least two employees, one of whom cannot be related to a shareholder of the firm.

- Applicants will be required to claim all possible corporate deductions and credits in the year prior to calculating the NSB tax deduction.

- If companies have received a refundable credit for a given tax year, they will not qualify for the NSB deduction.

- Companies will have three years following the end of a tax year to apply for a rebate for that year.

Equity Tax Credit

The ETC was introduced in 1994 and provides a 30 per cent non-refundable tax credit for investments in qualified Nova Scotia small businesses, co-operatives, and Community Economic Development Funds (CEDIF). The credit serves to reduce the amount of taxable income and has a maximum value of $9,000 per individual.

From 1994 to February 2000, almost 3,000 individuals invested $31.5 million in 277 companies and three CEDIFs. These investments resulted in $9-million worth of tax credits. The ETC is due to expire at the end of 2001. As part of Phase I of the tax credit review, the credit for investing in CEDIFs alone was extended by two years to 2003. Surveys have indicated that the Equity Tax Credit encourages companies to obtain equity financing rather than go into debt. The vast majority of respondents (89 per cent) indicated that the ETC enabled them to obtain equity financing that was otherwise unavailable.

Decision

By all measurements, this credit is meeting the needs for which it was created and will be extended to December 31, 2003.

Labour-Sponsored Venture Capital Corporation Tax Credit

The LSVCC tax credit is a non-refundable, 15 per cent personal income tax credit for investments in registered labour-sponsored venture capital corporations. The maximum provincial credit is

$525 per year, and there is an additional federal income tax credit of $750 per year. An LSVCC is a venture capital fund sponsored by a labour organization with the overriding goal of creating jobs by making capital available to small- and medium-sized businesses. LSVCCs differ from conventional venture capital funds in that the LSVCCs have mandates other than achieving the highest return for investors.

Since its inception in 1994 through 1999, approximately $7.5 million in tax credits have been claimed. Funds registered in Nova Scotia have raised about $38.6 million in venture capital in this time. The funds are required to place 60 per cent of all investments raised in the province with Nova Scotia businesses within four years of receiving the investment. This has resulted in a minimum investment pool of approximately $23.2 million (60 per cent of $38.6 million) for Nova Scotia.

The LSVCCs have reinvested $15.8 million of this pool in seven different companies for an average placement of $2.3 million. On average, it takes the LSVCCs 3.5 years to reinvest funds raised in Nova Scotia. As most venture capital deals are made with long-term growth in mind, it could take an additional four or five years before the reinvestment begins to show significant returns to the province in the form of corporate tax revenue on job creation. In other words, almost a decade could pass before the government realizes any benefit from the tax credit expenditure.

Decision

The LSVCC credit is due to expire at the end of 2003. It will be evaluated again to determine whether it should be extended. To hasten the credit's benefit to the province, the reinvestment time frame will be reduced from four years to two years. Venture capital funds are becoming an increasingly important source of equity for Nova Scotia businesses. The Department of Finance will consult with the investment community to identify other options to improve venture capital tax credits.

HST Rebate for Volunteer and Municipal Fire Departments

Municipal and volunteer fire departments provide a vital public service. To help these departments purchase equipment, this program offers a full rebate of the provincial portion of the HST paid on purchases of firefighting vehicles and heavy equipment. The maximum rebate is $7,400 and is reached at a purchase price of $185,000. Vehicles and equipment costing more than this amount are still eligible for the maximum rebate. Since 1997, this credit has cost $179,000.

Decision

The rebate will continue unchanged.

HST Rebate for Printed Books

This program offers a point-of-sale rebate of the provincial portion of the HST on purchases of printed books, audio recordings of printed books, religious scriptures, and periodicals with less than 5 per cent of total printed space dedicated to advertising. This program costs approximately $5 million per year.

Decision

This rebate will continue unchanged.

HST Rebate for Persons with Disabilities

This rebate recognizes the higher cost of obtaining personal transportation incurred by persons with physical disabilities. The rebate is 100 per cent of the provincial portion of the HST and applies to purchases of passenger vehicles for individuals with a physical impairment that deprives them of the use of both their legs. From 1997 to 2000, this program has cost $540,000.

Decision
This rebate will continue with no changes.

Contact: David MacNeil (Finance)
(902) 424-8787
e-mail: macneidf@gov.ns.ca

For other 2001–02 budget information, visit the Department of Finance website at www.gov.ns.ca/finance.

Budget Address
Province of Nova Scotia

MUNIT HÆC ET ALTERA VINCIT

for the fiscal year 2001-02

THE HONOURABLE NEIL J. LEBLANC, MINISTER OF FINANCE

Nova Scotia House of Assembly, March 29, 2001

NOVA SCOTIA
Department of Finance

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2001
NOVA SCOTIA BUDGET

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A growing economy

Mr. Speaker:

Fiscal plan on track—balanced budget next year

It is a privilege and honour to rise in my place and present the budget for 2001–02, the last year in which this minister—or any finance minister in this government—will project a budget deficit. The government's four-year fiscal plan is on course, on time, and on budget. This is the second budget our government has prepared and delivered; and each one has had as its foundation our commitment to fiscal responsibility, the provision of sustainable service, and an eye toward building a better future for our children. Next year every line in the budget will be written in black ink. The year after, Nova Scotians' income taxes will be 10 per cent lower.

This government will achieve those necessary financial milestones while fulfilling another unshakable commitment to Nova Scotians. We will secure for tomorrow, and enhance for today, the public services Nova Scotians hold most dear. This budget includes prudent investments in health care and in our future, the children of Nova Scotia.

This government came to office with a plan for Nova Scotia, based on the certainty that this province can and will have a better future. Our plan, advanced in each of our budgets, rested on the solid foundation of fiscal responsibility. But the goal is much broader. The goal is a self-reliant Nova Scotia, where every child has the opportunity to make the most of his or her life, and where Nova Scotians are assured of the highest quality public services. This budget pursues that goal.

Mr. Speaker, over the past year, Nova Scotians powered an economy that created thousands of new, lasting, and full-time jobs.

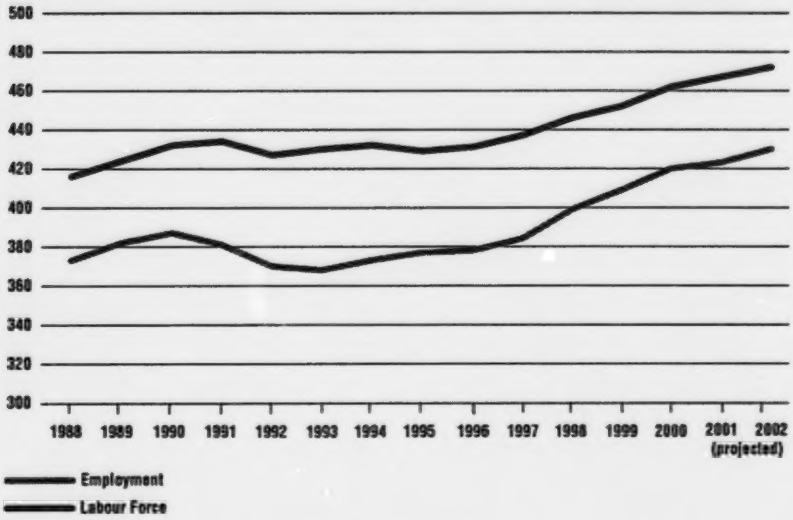
Nova Scotians are striding confidently into a new millennium, embracing the opportunities presented by a new world economy, new-found energy resources, and new trade prospects.

In this city and, with increasing confidence, right across this province Nova Scotians are taking hold of their own destiny and building, block by block, an economy that is resilient, sustainable, and inclusive.

Economy grew by 3% in 2000

The cold facts serve to prove the point. Last year the provincial economy grew by 3 per cent. Nearly 11,000 Nova Scotians who were looking, found jobs. And consumer spending increased by 4.7 per cent.

Nova Scotia Labour Market



Nova Scotians are making that happen, Mr. Speaker, and this government clearly understands its role. Government should be, and frequently is, a broker, a facilitator, a negotiator, a navigator, even a partner. But, as history teaches, government is a direct player at the taxpayers' peril. It must be noted, with resignation and no joy, that this year this government closed the Sydney Steel Corporation. We also set in motion a process that we hope will lead to the sale of Nova Scotia Resources Limited.

It is cliché and true: economic success is attained and sustained where governments successfully create a climate in which private enterprises, large and small, flourish. The conditions that contribute effectively to that climate include fiscal, and therefore tax, stability; able and dependable workers; and the means to move products to market.

A climate in which private enterprises flourish

With this budget, this government will vigorously pursue the first condition. In the near future, Nova Scotia will achieve fiscal stability, along with a tax climate that is both stable and more rewarding for working Nova Scotians and their families.

A tax climate that is stable and more rewarding for working Nova Scotians and their families

Nova Scotia has never suffered a shortage of dependable workers. New opportunities, however, bring new challenges. We must plan to meet those challenges. And we must always invest, where and when we can, in the future of our children.

Moving products to markets traditionally meant ships and trucks, planes and trains. Today, just as often, it means fibre-optic cable. Nova Scotia is connected, and competitive worldwide, in telecommunications infrastructure. Some of our more traditional infrastructure, however, is falling apart. Last year, this government reversed a destructive trend to ever-shrinking highways budgets. This year we will increase highways spending again.

Government respects every taxpayer ... spends every tax dollar with care

The government respects every taxpayer and spends every tax dollar with care. Each and every investment is made with an eye to the future, and an eye on the bottom line.

Responsible management

L'année passée, en ces mêmes lieux, je vous ai présenté un budget qui visait à mettre la Nouvelle-Écosse sur la voie de la sécurité financière et d'une réduction des impôts. À ce moment-là, j'avais informé la population que l'exercice 2000-2001 se terminerait par un déficit budgétaire de 268 M$. Je peux maintenant vous confirmer que nos efforts ont modifié de façon importante l'objectif que nous nous étions fixé, et qu'il m'est possible d'annoncer aujourd'hui un déficit de 199 M$ pour l'année qui se termine - ce qui est une amélioration considérable de notre objectif.

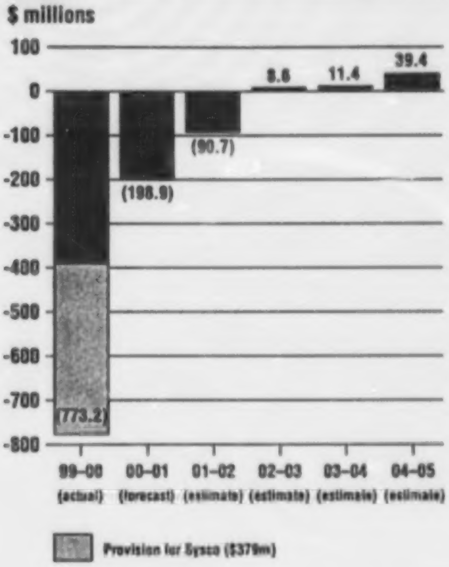
Significant improvement on deficit target: 2000–01 deficit now forecast at $199 million

Translation: A year ago, I stood here in my place and delivered a budget that set Nova Scotia on a four-year path to financial security and lower taxes. At that time, I told Nova Scotians we would end fiscal 2000–01 with a deficit of $268 million. I can now report that we have improved significantly on that target and now forecast a year-end deficit of $199 million.

2001–02 deficit —$91 million

For the fiscal year about to begin, 2001–02, we are estimating a deficit of $91 million. As I said, the year after the red ink will disappear entirely.

Fiscal Plan 1999–2000 to 2004–05 Provincial Surplus (Deficit)



Most departments achieved targets

Sound management will result in most departments achieving their fiscal target for the year that is about to end. In the year ahead, that same vigilance—from every quarter and corner of Nova Scotia's public sector—will be essential for success.

Great strides have been made in improving our ability to manage our spending, not just in government proper but right across the public sector. More than half the provincial budget flows out to arm's-length agencies, boards, commissions, and the new district health authorities. We will take significant steps designed to make these organizations more accountable for the tax dollars they spend and the results they achieve. Increased accountability will enhance our ability, working with those organizations, to manage to a budget target.

Books reflect accurate, complete financial accounting

Accountability is a hallmark of good government and responsible management of the taxpayers' money. It is important to note that the books of this province now reflect the most accurate and complete financial accounting found anywhere in this nation. Every expenditure for which the people have an obligation is in clear view. The assumptions upon which we base our revenue are reviewed by the Auditor General.

As we did last year, we are basing our 2001–02 revenue estimates on realistic economic assumptions, within the range of leading private-sector forecasters. But the year ahead is marked by uncertainty. Every day Nova Scotians are bombarded by pessimistic economic information, particularly from the United States.

Year ahead marked by economic uncertainty

It is often said that, if America sneezes, Canada catches a cold. That quip once accurately described the economic relationship of our two nations. Today, our national economy is more diverse, and Nova Scotia's economy is more resilient. But we are not isolated. Economic storms elsewhere will be felt here. Capital spending in the private sector is already slowing.

Forecast 2.3% growth

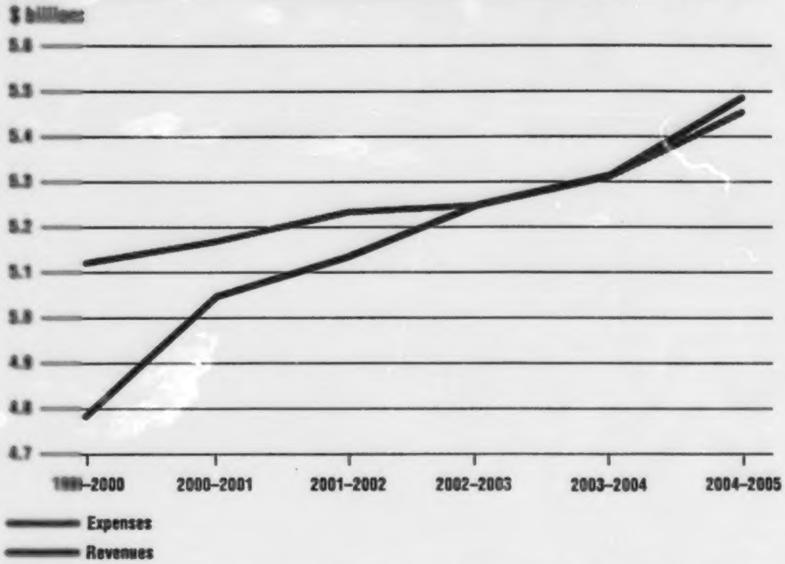
We can expect growth to moderate in Nova Scotia during this period. We are forecasting growth of 2.3 per cent for the year ahead.

Debt to exceed $11 billion

Revenue gains have been significant over the past year, and while we expect revenue will continue to grow this year, it will be at a more modest pace. In a province of fewer than one million souls, burdened by a debt that exceeds $11 billion, responsible management demands that we take our gains in stride and invest with diligence.

And diligence demands that we hold spending increases below the rate of revenue growth. We have accomplished that in this budget. Our total estimated spending for 2001–02 has increased by just 0.5 per cent over forecast spending for 2000–01. Revenues, based on the same comparison, are growing by 2 per cent. Estimate-to-estimate revenue is expected to grow by 7 per cent. The same comparison on the expenditure side shows that we will hold spending increases to less than 4 per cent. Let me repeat that. Spending will increase by less than 4 per cent, while revenue will increase by 7 per cent. That, Mr. Speaker, is responsible management of the province's finances.

Revenues and Expenses 1999–2000 to 2004–05



In the volatile international markets of today, perhaps the most difficult forecast we make is debt-servicing costs. Currency and interest rate changes and the peaks and valleys of the equity markets all influence our debt costs. We continue to take steps to reduce our foreign currency exposure. Thirty-one per cent of our debt is now held in foreign currency. We will reduce that exposure to 20 per cent by 2004.

Debt-servicing costs anticipated to be $909 million

For the year ahead, we are basing our forecast on a Canadian dollar in the range of 63 cents US, and Canadian interest rates for a 10-year bond at 5 1/4 per cent. Net debt-servicing costs are anticipated to be $909 million, a number that highlights our financial trouble. Again this year, we are obligated to send more money to bankers than we are able to invest in the public schools that educate our children.

Mr. Speaker, our economy is strong and our revenues reflect that strength. But that does not mean we should abandon sensible, responsible fiscal management. On the contrary, this is the time to recommit to that vital effort. A growing economy and growing revenues provide us with some financial flexibility. We are able to maintain public services at current levels, and selectively and carefully invest in a few priority needs. We will do that while meeting the deficit reduction and elimination targets set out in our fiscal plan.

Recommit to responsible fiscal management

We have reduced the size of government—the civil service payroll—by about 4 per cent, from 9,926 employees 18 months ago to an estimated 9,503 this year. Much of that reduction has been achieved through natural attrition and by not refilling vacant positions.

Reasonable, responsible agreements with public sector unions

Across Nova Scotia, public-sector employers and the unions that represent public servants are in various stages of the collective bargaining process. Any increase in wages puts pressure on the public treasury. To date, reasonable, responsible agreements have been reached. The government hopes, and has a responsibility to ensure, that the trend continues.

Mr. Speaker, big budget numbers and macroeconomic statistics mean little to Nova Scotians looking for work and trying to feed their families. From region to region across this province, there are significant and persistent economic disparities. This government believes that all Nova Scotians, wherever they live, deserve every chance to earn a good living.

In Nova Scotia, opportunity has become synonymous with exploration, development, and production of offshore energy. Leadership has become synonymous with the premier and his determined efforts to seize for Nova Scotians future security and prosperity from that opportunity.

Our premier leads a campaign for fairness in the distribution of wealth from the offshore. Our premier leads the steadfast defence of Nova Scotia's interests in the Gulf of St. Lawrence.

Nova Scotia's goal is to be nothing less than a prosperous, self-reliant province, adding economic strength to a more vibrant Canadian federation. Our premier is leading us to that goal.

Toward self-reliance

Nova Scotians leading the way to a new economy

New wealth from offshore energy ranks among Nova Scotia's greatest opportunities, but the story does not end there. Nova Scotians are leading the way into a new economy marked by innovation and creativity. In our universities and on our farms, in our leading-edge factories and literally on the cutting edge of our sawmills, Nova Scotians are discovering better ways and putting them to work for a better world.

With research from the Kentville food science centre, Case Van Dyke of Queens County is turning blueberries, the tastiest and healthiest little fruit on the planet, into the tastiest and healthiest pure fruit drink. Ocean Nutrition is fast becoming a world leader in research, development, and production of marine-based nutrition supplements. Innovative, high-tech sawmills, like MacTara Lumber, are maximizing the yield of sawlogs using computers and laser scanners.

In the workplaces of Nova Scotia, Nova Scotians are putting technology to work. And when we venture into our universities we find hundreds of research and development projects aimed at improving the quality of our lives and the condition of our planet.

At the Nova Scotia Agricultural College alone, research ranges from a study into the causes and cure of reproductive failure, to the impact of agriculture on our climate. The latter project, funded through the Canadian Foundation for Innovation, is developing new technology to improve air quality management in farming.

Mr. Speaker, the Province of Nova Scotia will support this kind of innovation and initiative.

$15 million invested to fuel innovation, support research and development

Today, I am announcing an investment of $15 million that will fuel the innovative fire by supporting leading research, development, and commercialization opportunities in Nova Scotia. This provincial contribution, drawn from fiscal 2000–01, will trigger additional funding from Ottawa and from the private sector, through the Canadian Foundation for Innovation. Nova Scotia's initial investment has the potential to increase overall research and development funding in this province by almost 40 per cent.

Research and development will help lead the way, but in order to seize all the opportunities on our doorstep, more Nova Scotians must be equipped with the right tools. Much has been done. Much remains to be done.

Today, every school in the province is connected to the Internet. Thanks to the federal-provincial Information Economy Initiative, more than 6,200 computers have been placed in our schools, and 200 community access sites are spreading computer literacy to Nova Scotians where they live.

200 new NSCC seats; Virtual Campus to expand

An additional $4.2 million is being provided to the Nova Scotia Community College. This year the Community College will expand the Virtual Campus. The Virtual Campus already takes programs and training to 800 Nova Scotians who, as a result, do not need to leave home or work to upgrade their skills. In addition, the college will create 200 new seats. Expanded access to community college programs means more Nova Scotians will be equipped with the skills to take their place, and succeed, in the job markets of today and tomorrow.

School for adult learning offers a second chance

For a variety of reasons, too many Nova Scotians slipped through, or out of, the education system before they had the most basic tools. The Nova Scotia School for Adult Learning gives them a second chance. This year $1.5 million has been allocated to coordinate and enhance the network of programs that helps adults get their high school diploma.

Mr. Speaker, thanks to the initiative and foresight of enterprising Nova Scotians, we are world leaders in information technology training. As a province we must equal that success in other sectors, notably oil and gas. Today in Nova Scotia there are jobs unfilled because employers can't find workers with the required skills. Closing and eventually eliminating that skills gap will be a provincial priority and is a shared responsibility among government, industry, academic institutions, organized labour, and motivated, individual Nova Scotians.

This year government will lead in developing a skills strategy and commit additional funding in future years to implement an agenda that matches training to jobs.

Skills strategy to be developed—will match training to jobs

The government is not standing still and waiting for the strategy. Currently in Nova Scotia 80 per cent of students who go on to post-secondary studies choose university, and only 20 per cent opt for community college. That compares to a national breakdown of 57 per cent to university and 43 per cent to college.

Nova Scotia has a proud university tradition and consistently leads the nation in university-educated citizens, as a percentage of population. That should not change. But young Nova Scotians need to be more aware of all career options and prospects. A new public school program will help make that happen.

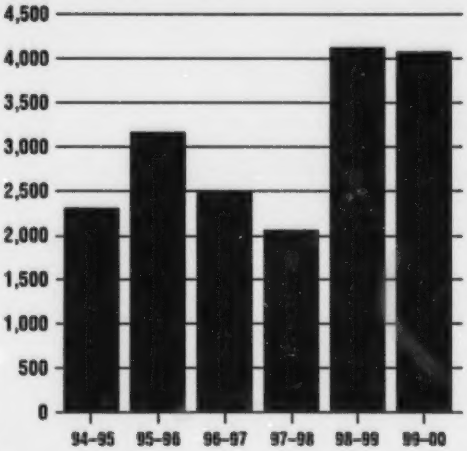
This budget invests $200,000 in the new Youth Pathways and Transitions Program, to help students plan and prepare for careers and further career-minded education. The program will track students' progress in acquiring basic job skills, using the Conference Board of Canada's list of employable skills. The second phase will include high school courses linked to community college and to the job market. Youth Pathways and Transitions will be available in some schools this fall and will be expanded across Nova Scotia over the next few years.

Youth Pathways and Transitions will help high school students prepare for careers

4,380 social assistance recipients upgrade training

There is no greater expression of self-reliance than the personal accomplishment of Nova Scotians moving from dependence on the state to self-dependence. In the last fiscal year, 4,070 Nova Scotians moved off the welfare rolls and into paying jobs. Another 4,380 paved the way to the work force by upgrading their education or enroling in skills training programs. This government's social assistance reform initiatives will make a positive difference in the lives of thousands of Nova Scotian families.

Number of Social Assistance Recipients Securing Employment



Nova Scotia Business Inc. launched

A new century, a new millennium, and a new economy require new ways to support economic activity. This year the province is creating a new economic engine called Nova Scotia Business Inc. This Crown corporation, at arm's length from government, is charged with a mandate to bring new investment to Nova Scotia, help existing business expand, and spread economic activity across the province. Between NSBI and the Department of Economic Development, there is an increase of $8.5 million, year-over-year, in funds available for strategic economic investment. In all cases, those investments will be tied to performance.

Mr. Speaker, tourism is a sector that offers promise in bridging the economic divide between rural Nova Scotia and the more affluent metropolitan area. The province is increasing its overall investment in tourism and culture by $1 million. Enhanced marketing and a longer season for visitor information centres are just two examples of the increased tourism-development efforts.

Operating grants reduced; funds reinvested in clearly defined initiatives

Mr. Speaker, every tax dollar government spends should be spent with purpose. This government is determined that taxpayers' dollars will be directed to specific initiatives, with defined benefits. Operating grants to a number of tourism-related, cultural and heritage groups will be reduced, and the funding redirected within those sectors. For example, grants to community museum boards will be reduced by 2 per cent, but $100,000 in new funding is available to those same organizations for more clearly defined, strategic investment.

Nova Scotia's rich music and culture have given our communities life for generations. More recently these immeasurable riches have become important to our economy. Again this year, we will provide $250,000 for export-focused cultural activities. As well, the province will invest an additional $400,000 in regional cultural activities and industries.

Agricultural Development Institute launched

Farmers and farm families are the strength of much of rural Nova Scotia. This year the new Agricultural Development Institute will be in operation, with $2.2 million from provincial taxpayers. Specialists from the institute will provide farmers with expertise in pest, weed, and disease management, as well as offering services related to livestock, horticulture, and forage and field crops.

Law-abiding fishermen are frustrated when they see the resource diminished by illegal fishing. This year, to combat illegal activity in the commercial fishery, the province will double its commitment, its effort, and its funding to $250,000.

Silviculture on Crown lands enhanced by $1.3 million

Mr. Speaker, sustainable forest practices must be the only forest practices. Partnerships among government, private woodlot owners, and harvesters will invest some $9 million in silviculture on private lands this year alone. In addition, we will increase our silviculture investment on Crown lands by $1.3 million, bringing the provincial investment in Crown land silviculture to $3.5 million.

All the vital economic sectors I just mentioned have one thing in common. They depend on the roads of Nova Scotia to move their product. In the past decade our network of highways and secondary roads has been neglected. The consequences are evident to every driver.

Capital investment on highways increased by $11 million

Last year, despite severe and necessary restraint, this government reversed a troubling trend to shortchange the highways budget. This year we will do more. We will increase the capital investment on highways and bridges by some $11 million to $49 million.

Again this year, included in the operating budget of the Department of Transportation and Public Works is $10 million for improvements and maintenance on rural roads.

$5 million set aside for Highway 101—to bring Ottawa to the table

The federal government has a responsibility for national transportation infrastructure, and in Nova Scotia that infrastructure includes many 100-series highways. The province has set aside an additional $5 million from its capital budget as a tangible expression of our commitment to twin Highway 101. We sincerely hope this commitment will help bring the federal government to the table and to its senses.

Nova Scotians paid $137 million last year in federal excise taxes on gas and diesel fuel. Surely that warrants more consideration than the $2.5 million Ottawa returned as its contribution to our highways system.

Tax credit review completed

Mr. Speaker, 18 months ago the government initiated a review of all provincial tax credits and rebates. The tax system must always be fair. Tax breaks must serve their purpose. Last year, following phase one of the review, some credits were modified and others sunset. The second and final phase of the review is now complete and included in the budget material is a full report.

In summary,

- Effective January 1, 2002, the value of the HST rebate on new housing materials is reduced, to a maximum of $1,500.
- The small business tax credit is retained with minor refinements.
- The Equity Tax Credit, which encourages Nova Scotians to invest here at home, is extended to December 31, 2003.
- The Labour-Sponsored Venture Capital Corporation Tax Credit is continued, with refinements, until 2003.
- The HST rebate for volunteer and municipal fire departments is continued.
- The HST rebate on printed books and the HST rebate for persons with disabilities are both continued, unchanged.

Quality of service

Mr. Speaker, the government is determined to improve service to Nova Scotians and save taxpayers every dollar we can. Technology will help make that happen. Improvements this year put access to motor vehicle registration, and birth, death, and marriage certificates on line.

To support Registry 2000, land registration fee to increase

Registry 2000 is a monumental undertaking to migrate 250 years of land transactions into an electronic land registry. Soon, searching and recording land transactions will be a mouse click away. The cost of this improvement will be offset by an increase in land registration fees, from $40 to $70.

The award-winning Nova Scotia Business Registry will be expanded and upgraded. Business can do business with government 24 hours a day, seven days a week. This year, an added feature will let registered businesses know automatically when any of more than 30 permits and licences are coming due for renewal.

Business registry enhanced, more permits available on line, RMV in all counties

E-government reduces costs to taxpayers and clients alike, while increasing the speed and efficiency of transactions. With this in mind, Service Nova Scotia Express will come on line this year with self-serve terminals in 19 locations across the province.

Some transactions still require face-to-face service. Access Nova Scotia storefront offices are now located within 45 minutes of most every Nova Scotian. This year full Registry of Motor Vehicle service has been, or will be, expanded into five more counties: Queens, Guysborough, Shelburne, Richmond, and Hants.

Quality of life

Few services of government are more important to Nova Scotians than those that protect our health and our natural environment. In the wake of the tragic events in Walkerton, Ontario, wise governments everywhere are redoubling efforts to ensure the safety of water supplies. In Nova Scotia, new safe water regulations mean increased vigilance. Nova Scotia is fortunate. We have an abundance of safe, clean water. We need to make sure it stays that way.

Strategy to safeguard water; ensure proper sewage disposal

This budget invests $850,000 in the development of long-term strategies to safeguard our water supply and ensure the appropriate and safe disposal of sewage. As well, we are allocating funds to a new Canada–Nova Scotia Infrastructure program that will result in $195 million invested in "green" infrastructure across the province over the next six years. Split equally among Ottawa, the province, and participating municipalities, these funds will build new water treatment, sewage treatment, and waste management systems in communities throughout Nova Scotia. A full 40 per cent of that funding is earmarked for rural areas that have been neglected for too long.

$195 million for "green" infrastructure

Nova Scotians cherish their own natural heritage and fully accept that we share a global responsibility for the earth's environment. This province has long been a producer of fossil fuels, and offshore development means that won't end soon. Our energy mix is changing. This budget allocates $200,000 to develop two distinct, but intimately connected initiatives: a long-overdue energy strategy for Nova Scotia and strategies to ensure that this province meets its obligations to reduce greenhouse gases and their undeniable impact on the earth's climate.

A commitment to health

Tobacco taxes to increase this year

Mr. Speaker, this government's commitment to the health of Nova Scotians, and to the health care system itself, is absolute. There are no tax increases in this budget, but there is a promise to raise the tax, this year, on one product—tobacco.

This year cigarettes will claim the lives of 1,600 Nova Scotians. Higher tobacco taxes won't save many old addicts, but higher prices will reduce the number of young smokers.

This government will continue to pursue an agreement with Ottawa and our neighbouring provinces to significantly increase taxes on tobacco products, while ensuring we do not become prey for cross-border tobacco smugglers. This may be a so-called revenue measure, but it is really a common-sense measure.

For years governments have talked about wellness and community-based health care. This year this government will act.

Promote physical fitness, activity among young Nova Scotians

This budget increases funding to the Nova Scotia Sport and Recreation Commission by $600,000, with the assurance that every penny will find its way to communities. It will support physical fitness and active living. Increasing activity among young Nova Scotians will be the priority.

Community Health Boards funded for the first time

For the first time ever, funding is available to Community Health Boards, in the amount of $1 million. These funds will support community-defined priorities and local smoking cessation programs.

Mr. Speaker, there are many reasons why our health care system must evolve. But chief among them is the shift in our population age. Nova Scotians, like it or not, are greying. The decisions and actions of today must put health care on the solid foundation it will need for the future. This budget reflects those decisions and that action.

Streamlined access to long-term care going province-wide

Across Nova Scotia, beginning this year, older Nova Scotians and others in need of continuing care will access that care through a simple, single entry point. This program, piloted last year in eastern Nova Scotia, reduces wait times for those most in need. This year $1.5 million in new funding will allow us to begin expanding this streamlined process province-wide.

As our population ages, the demand for home care services and pressure on our long-term care facilities will only increase. Those two cornerstones of continuing care must be solid—first and foremost for the care they provide, but also to allow more efficient use of acute care services.

Home care funding increased; long-term care sector stabilized

This budget increases funding to home care by $10.5 million, to an estimated $110 million. Home Care Nova Scotia currently provides health services to 23,000 Nova Scotians, allowing them to remain where they want to be, in their own homes. Funding for long-term care facilities will increase by $19 million, to an estimated $175 million. This will stabilize the sector and maintain the current number of long-term care beds.

There are no magic solutions to health care funding pressures. Either governments manage those pressures and keep health care affordable, or those who require services will pay more, in some fashion, for those services.

No increase in Pharmacare premium, co-pay in 2001

In the year ahead, Pharmacare premiums and co-pay fees will not increase. But pressure on that program is increasing as the price of prescription medication climbs. Increases will be required in future years. The government will continue to work with its Pharmacare partners to ensure equity and access remain the guiding principles of Nova Scotia's Pharmacare plan.

As every Nova Scotian knows, patients in hospitals are not billed for their care. Residents in long-term care facilities, who are able to pay, do pay. Yet, in hospitals across this province, almost one in four beds are occupied by patients awaiting nursing home placement.

Fee instituted for long-term care patients in acute care beds

Therefore, we will expand a policy, tested in Cape Breton last year. Patients who have been medically discharged, but remain in hospital, will be charged $50 a day. This fee is lower than what they will pay once they enter a nursing home, and recognizes that they are now long-term care patients.

This fee will net an estimated $1 million on a $1.82-billion health budget. Obviously it is not being done for the revenue it will bring. It is being instituted for consistency and equity and to promote efficiency in both the acute care and long-term care sectors.

Mr. Speaker, before coming to office, members of my party said we would work with nurses to address workplace issues, and we would move health care decision making closer to the communities affected by those decisions.

This budget makes good on both promises.

We have allocated $5 million to begin implementing Nova Scotia's first nursing strategy. The strategy includes a four-point plan to: (1) support practising nurses; (2) support student nurses; (3) increase recruitment efforts; and (4) enhance professional development and mobility of nurses within Nova Scotia's health system. The strategy is in addition to, not instead of, other recent advances for nurses. Those include conversion of more than 100 casual positions to full time, increasing enrolment in our nursing schools by 30 per cent, and providing bursaries for student nurses.

Nova Scotia's first nursing strategy will address issues; increase recruitment

Monsieur le Président, les conseils d'administration des services de santé, situés loin des communautés qu'ils desservaient, sont l'affaire du passé. Neuf autorités régionales de la santé publique, plus rapprochées des communautés, ont remplacé ces conseils. Les autorités possèdent un pouvoir discrétionnaire réel et sont imputables des décisions qu'elles prennent et des fonds qu'elles dispensent. Le budget inclut une augmentation au financement des autorités, ce qui représente un pour cent (1%) en termes concrets, ou 8 M$. En plus, la province a réservé des fonds afin de couvrir les coûts additionnels reliés aux augmentations possibles résultant des accords sur les salaires. Le gouvernement reconnaît que les autorités, ses partenaires dans les services de santé, auront à relever plusieurs défis et à prendre des décisions qui ne seront pas faciles. Elles commenceront leur première année complète d'opérations avec un financement stable et réaliste.

Translation: Mr. Speaker, remote regional health boards are a memory. Nine district health authorities, closer to the communities they serve, have taken their place. The DHAs have real decision-making power and are accountable for the decisions they make and the money they spend. This budget increases funding to DHAs, in real terms, by 1 per cent or $8 million. In addition, the province will fund cost increases related to wage settlements. The government recognizes that its district partners in health care face many challenges, and the decisions they must make will be difficult. They will begin their first full year with realistic and stable funding.

District Health Authorities have realistic, stable funding

It has often and truly been said that those suffering mental illness are the forgotten in our health care system. This is tragic always, but perhaps acutely so when the children suffer. Nova Scotia is not alone in this sorry history, but what consolation is that? We must begin the healing.

Mental health services redesigned to offer care closer to home

This budget maintains funding levels established last year for early identification and intervention services at $2 million. Children with special needs will have those needs met in time to make a real difference in their lives.

An additional $500,000 will help redesign delivery of mental health services. A child and youth mental health project is now in development and will offer a plan to deliver care closer to home for those in need.

Mr. Speaker, quality information is essential to proper management. As the Auditor General so clearly articulated in his most recent report, systems to supply that level of information are lacking in health care and in some school boards.

The government will invest $13 million to begin addressing those deficiencies. This funding is split between the fiscal year just ending and the new year.

Information systems to improve, support management

More than $9 million will be invested in hospitals and other health facilities to support the evidence-based decision making that is fast becoming a feature of health care management in Nova Scotia. Electronic health records, with standardized information across the province, will enhance the speed and efficiency of patient care. A $4-million expenditure on information management systems in education will begin improving financial management and tracking academic performance and results.

Investing in our children

Mr. Speaker, from the government's point of view, I held the most important features of this budget until the end.

Those are initiatives that begin an important process of renewal in our public schools, and new measures that will have a significant, positive impact on the lives and on the future of Nova Scotian children now living in poverty.

A positive impact on the lives and future of children now living in poverty

Every young Nova Scotian deserves every possible opportunity to make the most of his or her talents. Every child deserves the best possible start in life.

The province is determined to knock down the barriers that keep too many families dependent on social assistance. In partnership with the federal government, we are taking tangible action to help low-income families and, more specifically, their children.

The changes we are making will leave no family with less assistance than they receive today. Increased benefits will flow to low-income, working Nova Scotians and their children. And all future increases in the fully indexed National Child Benefit will automatically flow to the rightful recipients, poor Nova Scotian families.

Beginning July 1 of this year, the Nova Scotia Child Benefit will be substantially increased and altered, so that, in combination with the National Child Benefit, low-income families will receive $1,700 a year for each child. All low-income families in Nova Scotia—working or on social assistance—qualify. This means additional financial support for 20,000 working families and 15,000 families on social assistance. In total, 60,000 Nova Scotian children will benefit.

Additional support for 35,000 families, 60,000 children

Clawback of National Child Benefit ends on August 1, 2001

Families whose net annual income is less than $16,000 will receive the maximum benefit. Families with a net annual income of between $16,000 and $20,921 will receive partial payments. The so-called clawback of the National Child Benefit from social assistance recipients ends on August 1, 2001.

This measure knocks a gaping hole in the welfare wall. Parents can move from social assistance to jobs without losing child benefits.

Mr. Speaker, a working family with three children and a net income of $15,999 will see an annual increase in child benefits of $1,650, or 48 per cent, on July 1.

To support these measures, this government is increasing its commitment to child benefits to $30 million in fiscal 2001–02.

Federal partnership means $9 million for early childhood development

In addition, Mr. Speaker, also in partnership with the federal government, $9 million will be committed this year to early childhood development initiatives. This commitment—part of a five-year agreement—will be increased to $12 million next year, and $15 million the year after, where it will remain for the life of the agreement.

New funding will support a comprehensive home visiting program whereby nurses will help expecting and new mothers and their children get off to the right start. Much of the remainder of the early childhood development funding is earmarked for child care: to improve wages of child-care workers and to expand access through start-up grants to non-profit centres.

Mr. Speaker, the new, combined child benefit and the early childhood development initiative reflect the values of Nova Scotians, who believe every child should get the best possible start in life. Renewal in our public schools will set young Nova Scotians on the path to success.

Parents, students, and teachers want our schools to be the best

In the weeks and months ahead, the province, working with partners across the education spectrum, will be engaged in a determined effort to renew our public schools. Not with bricks and mortar, although that job needs doing as well. But with vitality and energy. With standards and accountability. Parents, students, and teachers want our schools to be the best they can be. From modest beginnings, we are launching an effort that, over time, will bring the assurance that our schools have become just that—the best.

Active Young Readers extended through grade 6

Last year the government initiated the Active Young Readers program to help children in primary through grade 3 learn to read. This year, we will invest $900,000 more to expand this program to grades 4 through 6, where children read to learn. In grade 6, all students will be tested for literacy. Test results will be available to parents and to junior high school teachers so they can support students who need extra help.

This year the province will increase its investment in our children's future by $13 million. That 2 per cent increase in the public schools budget comes at a time of declining enrolments. In the past year alone, the student population declined by more than 2,000 children. That reflects a 30-year trend. During this same period the number of teachers has remained relatively constant.

Student and Teacher Levels

Year	Students	Teachers
1960–61	178,563	6,604
1970–71	215,889	10,241
1980–81	185,585	10,904
1990–91	165,739	10,417
1999–2000	158,205	9,611

Ensuring that children are safe at school is critical. This budget allocates $100,000 to support the students' code of conduct and another $1 million to help school boards meet new health and safety regulations, including those for water quality.

$3 million additional funding for special education

The province is increasing funds to support children with special educational needs. An additional $3 million has been budgeted for this vital effort.

The province is keeping its commitment to Nova Scotia's universities through increased operating funds of $5 million, for a total investment of $201 million. As announced last year, the province will no longer provide assistance for capital projects on university campuses after we fulfil a final obligation to St. Francis Xavier University.

The light of day

Mr. Speaker, very little remains to be said. Nova Scotians are building a more prosperous future. Opportunities are on our doorstep. Forty new wells will be drilled offshore over the next four years; exploration is moving into deep waters; Panuke and Sable II are both billion-dollar projects; we are new economy leaders and free traders in a free trade world.

Au plan financier, la province n'est pas sortie du bois ... pas encore; mais il nous est maintenant possible de voir un peu de lumière. Le budget que je vous ai présenté est fidèle à l'engagement que nous nous étions donné : celui d'une gestion financière responsable. Par conséquent, notre situation économique s'est renforcée et les revenus sont à la hausse. Nous maintenons l'augmentation des dépenses en-dessous du taux de croissance des revenus. Et c'est une mesure de prudence que nous tenons à respecter.

Translation: Financially, as a province we are not out of the woods, yet. But we can see the light of day. The budget I have just presented maintains our commitment to responsible financial management. Our strengthened economy is providing more revenue. We are holding the rate of growth in spending below the rate of revenue growth. That is prudent.

A portion of our increased provincial income will be invested, carefully, selectively in the priorities of Nova Scotians—the health of our people and the future of our children.

Thank you.

Total Ordinary Revenues 2001–02

Key Assumptions—March 27, 2001

+4

NOVA SCOTIA
Auditor General

1888 Brunswick Street
Suite 302
Halifax, Nova Scotia
B2J 3J8

Report of the Auditor General to the House of Assembly on the Estimates of Revenue for the Fiscal Year Ending March 31, 2002 Used in the Preparation of the March 29, 2001 Budget Address.

I am required by Section 9B of the Auditor General Act to provide an opinion on the reasonableness of the estimates of revenue used in the preparation of the annual budget address of the Minister of Finance to the House of Assembly.

The estimates of revenue for the fiscal year ending March 31, 2002 (the 2001–2002 revenue estimates) are the responsibility of the Department of Finance and have been prepared by departmental management using assumptions with an effective date of February 27, 2001. I have examined the support provided by the department for the assumptions, and the preparation and presentation of the 2001–2002 revenue estimates of $5,134,771,000 for total ordinary revenue. My opinion does not cover the 2000–2001 forecast, the 2001–2002 expenditure estimates, sinking fund earnings, nor the recoveries, use fees or other income netted against expenditures for appropriation purposes. My examination was made in accordance with the applicable Auditing Guideline issued by the Canadian Institute of Chartered Accountants. I have no responsibility to update this report for events and circumstances occurring after the date of my report.

Commencing with the fiscal year ending March 31, 1999, the Government implemented summary consolidated financial statement reporting in accordance with accounting principles generally accepted for the public sector in Canada. Consistent with prior years, the 2001–2002 revenue estimates have been presented including the total ordinary revenue of the Consolidated Fund established under the provisions of the Provincial Finance Act. As a result, sinking fund earnings and revenue of certain government organizations, which are now reported as revenue in the Province's financial statements, are excluded from the 2001–2002 revenue estimate for total ordinary revenue, but included elsewhere in the 2001–2002 estimates and have not been included in my examination.

Except for the effect of adjustments, if any, which might have been necessary as a result of the matter discussed in the preceding paragraph, in my opinion,

- as at the date of this report, the assumptions used by the Department are suitably supported and consistent with the plans of the Government, as described to us by departmental management, and provide a reasonable basis for the 2001–2002 revenue estimates; and
- the 2001–2002 revenue estimates as presented reflect fairly such assumptions.

Since the 2001–2002 revenue estimates are based on assumptions regarding future events, actual results will vary from the information presented and the variations may be material. Accordingly, although I consider, except for the matter discussed above, the 2001–2002 revenue estimates to be reasonable, I express no opinion as to whether they will be achieved.

E R Salmon

E. R. Salmon, FCA
Auditor General

Halifax, Nova Scotia
March 23, 2001

Economic Outlook

National Economic Assumptions

Canada's economy achieved another robust year in 2000, with GDP growing 5.0 per cent. This succeeded a similarly strong rate of growth in 1999. This growth can be seen in both the domestic and the export sectors. Labour income growth was just over 7 per cent, based on strong employment growth, wage increases, plus the added boost from the federal pay equity settlements, which according to Statistics Canada accounted for 0.5 per cent of labour income growth. Labour income posted its strongest growth in more than a decade. This strength will help to push personal income growth to 5.9 per cent.

The job markets for 2000 produced 379,000 new jobs, causing the unemployment rate to drop to 6.8 per cent from 7.6 per cent in 1999. More jobs producing more personal income had a positive impact on consumer spending. Retail sales were up by 6.2 per cent, while consumer spending on all goods and services was up by an estimated growth rate of 5.7 per cent. Increased spending on big-ticket items such as new motor vehicles help to explain this pace in consumer spending.

The vigour of Canada's economy can also be seen in the large increase in corporate profits, with growth over 20 per cent. The robust gain in corporate profits came from several sectors, including oil and gas, utilities, and manufacture of computer and telecommunications equipment.

The continued strong growth in corporate profits also opened the door to more business investments in 2000. Business investment expenditures focused on machinery and equipment, with growth projected to be in the double-digit range, according to Statistics Canada information.

The export sector played a large role in Canada's economic performance in 2000. The total value of exports of goods and services increased an estimated 14.4 per cent. Machinery and equipment exports were robust, along with high demand for natural gas and oil, and strong sales of electricity to California.

While 2000 was a strong year for the Canadian economy, most of the growth occurred in the first half. Comparing business inventories for the first two quarters of 2000 to the corresponding quarters of 1999 reveals a huge buildup of inventories. The level of inventories for the third quarter of 2000 was 55 per cent higher than in the second quarter of the year. These levels suggest an inventory correction through the fourth quarter of 2000 and into the first quarter of 2001.

This anticipated slower pace of economic activity to accommodate inventory adjustment reflects to a large degree the slowdown in the United States economy. Preliminary estimates of United States GDP growth in the fourth quarter was 1.4 per cent, following estimates of 5.6 per cent for the second quarter and 2.2 per cent for the third quarter. The outlook for the US economy in 2001 is for a slower pace to match productivity gains producing no inflationary pressures (a soft landing). This translates into a slower pace for the first half followed by a faster pace for the second, producing an annual growth rate of between 2.0 and 2.5 per cent. Momentum in the second half carries into 2002, resulting in an annual growth over 3.0 per cent. GDP growth in 2002 picks up energy from recent interest rate cuts by the US Federal Reserve Board.

The outlook for Canada is similar in terms of direction, but Canada is expected to grow at a faster pace than the US economy. The Canadian economy is expected to grow 2.7 per cent for 2001, followed by 3.3 per cent in 2002. This expectation of a stronger pace compared to the US, especially for 2001, reflects the increase in domestic demand resulting from the combined force of expansionary monetary and fiscal policies. The combination of lower income taxes and interest rates will support consumer confidence. Consumer spending is anticipated to grow by 4.4 per cent in 2001 and retail sales by 3.8 per cent.

This forecast calls for employment growth of 1.8 per cent, slightly higher than the growth in labour supply, at 1.7 per cent, in 2001. This results in a decline in the unemployment rate to 6.7 per cent.

A slower growth economy along with some pullback in energy prices will yield a lower inflation rate. This provides room for further relaxing in monetary policy. The Consumer Price Index is expected to grow at an annual rate of 2.5 per cent in 2001, down from 2.7 per cent in 2000.

As with any economic outlook, there are positive and negative risks. A weaker US economy than anticipated (a hard landing) would reduce export demand and trim the outlook for Canada' s GDP growth. Energy problems in California continue to pose a risk and could further weaken the US economy: California accounts for about one-eighth of US GDP. Continued weak equity markets both in Canada and in the United States could lower consumer confidence and neutralize the positive impacts on consumer spending from lower income taxes and interest rates. A slower economy than anticipated would further weaken corporate profits, putting downward pressure on capital investments.

The Canada–United States softwood lumber agreement will end on March 31, 2001. Failure to renew the agreement or to reach an equivalent accommodation carries the threat of the United States imposing countervailing duties. Such a measure would reduce lumber exports in an already weakened market and exert a negative impact, although small, on the national economy. Lumber is a key export product for Canada, with most of the lumber destined for US markets.

A stronger recovery in United States than anticipated would be a positive risk to the Canadian economic outlook. Thus, the key issue for the 2001 outlook is the performance of the US economy.

The key national economic forecast assumptions incorporated into the budget are displayed in the schedule below. The assumptions are based on data and information available as of March 27, 2001.

National Forecast Assumptions	2000	2001	2002
Real Gross Domestic Product, 1992$ (% increase)	5.0	2.7	3.3
Employment (% increase)	2.6*	1.8	2.0
Unemployment Rate (%)	6.8*	6.7	6.4
Personal Income (% increase)	5.9	4.2	4.1
Consumer Price Index (% increase)	2.7*	2.5	2.4
Retail Sales (% increase)	6.2*	3.8	4.9
Corporate Profits before Tax (% increase)	25.0	3.0	7.5
Exports of Goods and Services (% increase)	14.4	4.7	6.8

Sources: Statistics Canada actual (*), Nova Scotia Department of Finance projections

Provincial Economic Assumptions

The Nova Scotia economy achieved solid performance in 2000 after the record year for 1999. Real GDP grew 3.0 per cent in 2000, following a 5.2 per cent growth rate for 1999. Employment increased by 2.7 per cent, and the unemployment rate fell to 9.1 per cent.

Among industry sectors, employment growth in 2000 occurred chiefly in the construction, wholesale and retail trade, business services, and education and health services industry sectors. Similarly, the geographical distribution of job creation was also uneven. Most of the job growth in 2000 was concentrated in the service-based economy of Halifax Regional Municipality, and employment growth in the Northern region also exceeded the province-wide employment growth rate. Employment increased slightly in the Annapolis Valley, while the Southern region and Cape Breton Island experienced a decline in employment.

Exports and consumer spending were the main contributors to GDP and employment growth in 2000. By the end of the year, the Sable Offshore Energy Project (SOEP) was near full production and, combined with higher natural gas prices through the year helps to explain the huge increase in exports. Exports of goods and services grew by nearly 20 per cent in 2000. Nova Scotia's merchandise exports to international markets were up approximately 30 per cent, led by natural gas. By the fourth quarter of the year, natural gas had accounted for 26 per cent of merchandise exports. The strong growth in exports sales can also be seen in the export performance for other goods such as tires, fine paper, wood pulp, crab, scallops, and gypsum. Service exports to domestic and external markets also had a solid year of growth.

Expansion in the export sector supported large gains in corporate profits. Corporate profits before tax were up 29.2 per cent in 2000, reflecting the first year of production and the flow of natural gas and gas liquids to export markets. In the economic forecast, corporate profits before tax relate to economic activity occurring in the provincial economy and are not uniquely linked to the Corporate Income Tax (CIT) forecast. Corporate profits make up only one component of the overall CIT forecast. The CIT forecast is based primarily on federally forecasted corporate taxable income and is affected by other variables, such as business takeup of provincial tax credit programs.

SOEP is a main driver in GDP growth in this economic outlook. The impact of SOEP production on GDP occurs primarily through exports and corporate profits before tax. Given the introduction of this new industry into the provincial economy, there is a potential upside risk on the economic assumptions related to exports and to corporate profits. Once the actuals are realized from the offshore, however, there is not expected to be a material impact on overall corporate income taxes for the province. As noted above, corporate income tax is not exclusively determined by corporate profits.

After several years of major capital investments related to the offshore developments and modernization and expansion in the manufacturing sector, business investment dropped by 14.2 per cent in 2000. The decline in business investment spending was partly offset by sustained growth in consumer spending. Personal expenditures on goods and services increased 4.7 per cent, the same rate as in 1999. Retail sales registered an increase of 4.3 per cent in 2000. The tempo of consumer spending was sustained by the strong growth in personal income. Labour income, the largest share of personal income, increased 6.0 per cent by virtue of strong employment growth, wage settlement increases, and federal government pay equity settlements—estimated at $90 million for Nova Scotia. Personal income grew 4.7 per cent.

The economic outlook for Nova Scotia depends on conditions prevailing in the economies of its principal trading partners, the United States and other Canadian provinces. Nova Scotia is an open economy with close to 50 per cent of GDP directly attributed to the export of goods and services. Consequently, an economic slowdown in the United States and Canada moderates Nova Scotia's GDP growth over the short term. Growth in non-energy exports is expected to ease in 2001. By comparison, natural gas and natural gas liquids output from SOEP is sustained at capacity production, and this contributes to further growth in exports and corporate profits. Exports of goods and services are expected to increase by 7.8 per cent in 2001, along with a 6.6 per cent growth in corporate profits.

Capital investment spending, overall, is expected to remain weak in 2001, despite acceleration in oil and gas exploration activity and construction of the natural gas distribution system. Government spending on goods and services is anticipated to remain firm.

Employment growth moderates in 2001, moving to the long-term growth trend of 0.8 per cent. With labour supply anticipated to grow at a faster pace than employment growth, the unemployment rate increases to 9.5 per cent. Slower employment growth leads to lower personal income growth, although wage settlements help support an increase in personal income of 3.2 per cent. Growth in personal expenditure on goods and services also moves lower, to an expected increase of 3.8 per cent, as consumer spending is encouraged by lower interest rates and federal income tax cuts. Weakness in sales of new motor vehicles, however, restrains growth in retail sales to 3.5 per cent.

This overall pace of economic growth in Nova Scotia slows in 2001 and strengthens in 2002 as economic conditions improve in North America. Real GDP is forecast to grow 2.3 per cent in 2001 followed by 3.0 per cent in 2002, within the range of private-sector forecasts.

Private-Sector Forecasts for Nova Scotia Real GDP Growth

	2000	2001	2002
High (% increase)	4.5	4.0	4.5
Average (% increase)	3.2	2.6	3.0
Low (% increase)	2.4	2.2	2.5

The private-sector forecasters surveyed, and updated as of February 27, 2001, are Bank of Montreal, Bank of Nova Scotia, Canadian Imperial Bank of Commerce, Royal Bank of Canada, Toronto-Dominion Bank, Atlantic Provinces Economic Council, and Conference Board of Canada.

The Nova Scotia economy is exposed to the same external risks as the Canadian economy. As indicated above, the key external risk is how well or poorly the US economy performs. Weak equity markets in both Canada and United States could erode consumer confidence and offset the positive impacts on consumer spending from lower federal income taxes and interest rates.

Nova Scotia's preferential treatment under Canada–United States trade arrangements with respect to softwood lumber would terminate with the expiry of the softwood lumber agreement on March 31, 2001. Lumber shipments from Nova Scotia could face countervailing duties in US markets, which will only further dampen already depressed markets.

Risks are mixed, arising from recent announcements from the Department of National Defence. In a positive announcement, a new provision has been made to increase military pay and to acquire new equipment. By contrast, plans to reorganize and rationalize military air support services over the next two years could have a negative impact on the provincial economy if this is accompanied by downsizing.

Accelerated offshore energy development, especially as it relates to Tier II of the Sable Offshore Energy Project, would be a positive risk. The recent announcement by PanCanadian to proceed with the development of Deep Panuke will have an impact on the economy, but this will occur beyond the short-term period encompassed by these economic forecast assumptions.

The key provincial economic forecast assumptions incorporated into the budget are displayed in the schedule below. The assumptions are based on data and information available as of February 27, 2001.

Provincial Forecast Assumptions	**2000**	**2001**	**2002**
Real Gross Domestic Product (billion 1992$)	21.5	22.0	22.6
Real Gross Domestic Product, 1992$ (% increase)	3.0	2.3	3.0
Employment (% increase)	2.7 *	0.8	1.6
Unemployment Rate (%)	9.1 *	9.5	9.0
Personal Income (% increase)	4.7	3.2	4.0
Consumer Price Index (% increase)	3.5 *	2.7	2.4
Retail Sales (% increase)	4.3 *	3.5	4.0
Corporate Profits before Tax (% increase)	29.2	6.6	6.5
Exports of Goods and Services (% increase)	19.8	7.8	5.2

Sources: Statistics Canada, actual (*), Nova Scotia Department of Finance projections.

Revenue Outlook

In 2001–02 total ordinary revenues are estimated to be $5.134.2 billion, an increase of 1.7 per cent over the 2000–01 forecast. Own-source revenues are expected to increase by $115.1 million over the 2000–01 forecast to $3.178 billion in 2001–02. Federal transfers will increase by $32.7 million from 2000–01 forecast levels.

Key Assumptions—March 27, 2001

Revenue Sources	*Actual*	*Forecast*	*Estimate*	*Change $*
($ Thousands)	1999–2000	2000–01	2001–02	2001–02/ 2000–01
Provincial Sources				
Personal Income Taxes	1,144,871	1,228,672	1,250,795	22,123
Corporate Income Taxes	149,379	169,232	200,864	31,632
Sales Tax (HST)	754,827	804,280	845,724	41,444
Tobacco Tax	76,544	77,500	83,200	5,700
Gasoline and Diesel Tax	219,389	209,100	215,500	6,400
Liquor Commission Profits	135,170	137,000	139,800	2,800
Gaming Corporation Profits	164,925	167,250	170,800	3,550
Interest Revenues	34,428	34,777	34,587	(190)
Registry of Motor Vehicles	61,324	64,482	62,749	(1,733)
Other Provincial Sources	169,383	170,116	174,181	4,065
Total Provincial	2,910,240	3,062,409	3,178,200	115,791
Federal Sources				
Equalization Payments	1,279,610	1,395,500	1,394,000	(1,500)
CHST	420,788	450,579	560,241	109,662
CHST Supplement	107,132	75,475	—	(75,475)
Harmonization Compensation	52,700	—	—	—
Other Federal Sources	4,416	2,330	2,330	0
Total Federal Sources	1,864,646	1,923,884	1,956,571	32,687
Prior Years' Adjustments	9,400	58,191	—	(58,191)
Total Ordinary Revenue	4,784,286	5,044,484	5,134,771	90,287

Income Taxes

Personal Income Tax (PIT)

The 2001–02 estimate for personal income tax on a fiscal-year basis rises 1.8 per cent over the 2000–01 fiscal year forecast. On a tax-year basis, however, personal income taxes are expected to increase by 2.6 per cent in 2001 over 2000 (more in line with the 2.6 per cent growth in Nova Scotia's share of Basic Federal Tax). The province converts tax-year (January to December) PIT to a fiscal year (April to March) using payments received from the federal government. Growth in personal income in 2001 is being partially offset by measures taken in the 2000 federal budget, which cannot be isolated under the implementation of tax on income in 2000.

In the 2000 tax year, Nova Scotia moved to a tax-on-income system of assessing personal income tax. This system shifted the tax calculation from a percentage of basic federal tax (tax on tax) to a percentage of taxable income (tax on income). The rates and brackets are equivalent to the tax-on-tax rates and federal brackets in effect for the 1999 tax year. Nova Scotia uses federally determined taxable income as its base and has adopted the non-refundable tax credits in effect for federal purposes for the 2000 tax year. Measures taken in the February 2000 federal budget and the October 2000 economic statement that change the treatment of selected income items above the taxable income line reduce Nova Scotia PIT revenues. For purposes of the 2001–02 estimate, the province has continued to use basic federal tax to estimate personal tax revenues, adjusted for differences between federal and provincial brackets and rates.

Corporate Income Tax (CIT)

Corporate income tax, on a fiscal-year basis, is expected to grow by 18.7 per cent or $31.6 million over the 2000–01 forecast. Provincial-level corporate profits are expected to grow by 6.6 per cent; however, estimated corporate taxable income is expected to grow by only 1.9 per cent. Much of the revenue pickup is from a significant decrease in expected credit takeup in 2001, with credits falling $29.8 million or 35.3 per cent from 2000. The decrease in CIT credits is primarily due to an anticipated decrease in the Manufacturing and Processing Investment Tax Credit, reflecting the new lower rate, and the Film Tax Credit.

In preparing the 2001–02 estimate, data problems related to national corporate taxable income levels have resulted in methodological changes to the modeling. These issues are expected to be resolved in the coming months and may result in changes to the estimate, either positively or negatively.

Consumption Taxes

Harmonized Sales Tax (HST)

Gross HST is estimated to total $908.1 million in 2001–02, a 4.9 per cent increase over 2000–01 forecast. Sales tax rebates for public-sector bodies, new housing, printed books, volunteer fire departments, persons with disabilities, and segregated funds are projected to total $62.4 million, resulting in net HST of $845.7 million in 2001–02, a 5.2 per cent increase over the previous fiscal year. The growth in HST revenues between 2000–01 and 2001–02 is due to continued growth in personal disposable income.

Under the terms of the harmonization agreement, HST revenues are collected by the federal government and distributed to participating provinces based on a revenue allocation formula. The formula has been fully operational since December 2000. This means the province is now subject to prior years' adjustments (positive or negative). These prior years' adjustments represent the difference between the formula allocation and the amounts recorded by the province. The province has incorporated actual rebate information into its forecasts for the 1997, 1998, and 1999 tax years, where applicable. It has also allowed for the latest federal estimates of Nova Scotia's tax revenues from the revenue allocation formula for tax years 1997, 1998, and 1999. The province has taken into account the impact of year-to-date growth in the national GST/HST Declared Revenue Pool for 2000, of which Nova Scotia is allocated a share under the formula. The incorporation of this information is necessary in order to bring the province's HST forecasts for the 1999 and prior tax years in line with the forecasts derived from the federal revenue allocation formula.

The estimates produced by the Department of Finance are driven by the province's consumer spending assumptions. In addition, new housing construction and other economic indicators also have an impact on the province's HST estimates. These estimates should reduce, as much as possible, any prior years' adjustment. It is recognized that data improvements necessary to make the provincial shares that are produced by the allocation formula as accurate as possible will not be finalized until the project to improve provincial economic accounts undertaken by Statistics Canada is completed. Actual tax collections and rebate data from the Canada Customs and Revenue Agency is being incorporated into the allocation formula.

Tobacco Tax

Revenues from this source are estimated to total $83.2 million in 2001–02, a 7.4 per cent increase over the forecast for 2000–01. It is anticipated that the province will recommend further tobacco tax increases in 2001–02. The Government of Nova Scotia, in conjunction with the federal and other provincial governments, will continue to explore initiatives such as improved compliance to ensure the integrity of this revenue source.

Motive Fuel Taxes

Motive fuel tax revenues are projected to total $215.5 million in 2001–02, a 3.1 per cent increase over the forecast for 2000–01. This rate of growth is more consistent with historic growth in fuel consumption. There was above-average growth in 1999–2000, which was mainly due to increased construction activity. A subsequent drop in motive fuel tax revenues in 2000–01 suggests a return to more normal growth. Fuel price increases also have an impact on fuel tax revenues due to their impact on fuel consumption, and the province now takes this into account. While fuel prices will likely remain high relative to historic fuel prices, the expectation is that fuel prices will fall relative to 2000–01 levels. Given that fuel prices are influenced by volatile world oil prices, it is difficult to forecast fuel prices.

Profits of Crown Corporations

Nova Scotia Liquor Commission Profits

Liquor revenues are estimated to be $139.8 million in 2001–02, a 2.0 per cent increase over the 2000–01 forecast. This increase is conservative compared to the 3.8 per cent growth forecast for the previous year as a result of modest volume growth due to existing market and economic conditions. Seasonality also plays a factor in a reduced growth estimate, as the summer sales from 2000 were not as significant as the summer 1999 sales.

Nova Scotia Gaming Corporation

The Nova Scotia Gaming Corporation's (NSGC) payments to the Province of Nova Scotia are expected to increase in 2001–02 to $173 million. However, the Department of Finance records $170.8 million, which is net of 50 per cent of Sydney Casino profits. The estimate is a 2.1 per cent increase over the projected results for 2000–01. NSGC's net income is expected to increase to $153.2 million in 2001–02, which is an increase of 1.5 per cent.

There is no budgeted net income for the Halifax casino due to the repayment of the operator's capital investment for the new casino complex. Net operating income for the Sydney casino is budgeted at $4.3 million.

The income guarantee clawback period ended July 31, 2000. The corporation has paid all amounts related to the clawback to Casino Nova Scotia, subject to final audit.

NSGC recognizes mandatory deferrals paid to the casino operator as an expense when the monies are distributed. This treatment is not consistent with the Auditor General's opinion that the amounts should be recorded in the current year. The impact of the Auditor General's interpretation would result in a reduction of approximately $11.4 million in NSGC's net income in 2001–02.

It is estimated that NSGC will continue to benefit by approximately $4.9 million in 2001–02 as a result of the revised profit allocation formula agreed to by the shareholders of Atlantic Lottery Corporation in 2000.

Federal Transfers

Equalization

Equalization revenues are estimated to decrease by $1.5 million over forecast 2000–01 to $1.394 billion. Equalization reflects revised tax base and revenue information as of February 27, 2001. The estimate uses Nova Scotia's economic assumptions and reflects an entitlement level moderately higher than the official federal estimate.

For 2001–02 and subsequent years, the province has elected to have offshore revenues included in the equalization formula rather than the Offshore Accord Offset mechanism.

The Canada Health and Social Transfer (CHST)

In 2001–02, the CHST cash entitlement for Nova Scotia is estimated to be $560.2 million, $109 million higher than the 2000–01 forecast. The total provincial entitlement comprises the provincial allocation of a fixed national entitlement. The 2001–02 national CHST amount that is available in cash and tax points is $34.2 billion. The cash estimate reflects internal assumptions on the levels of personal and corporate income tax. Starting in 2001–02, the cash portion of the CHST is based totally on an equal per-capita formula.

At the First Ministers' Meeting (FMM) on September 11, 2000, the federal government announced a per-capita increase to the cash floor for CHST. For Nova Scotia, the total of the FMM cash is $75.6 in 2001–02. As part of the CHST, the FMM included $2.2 billion over five years for early childhood development. Nova Scotia's share of the ECD funding for 2001–02 is $9.1 million. This total is included in the CHST total of $560 million.

CHST Supplement

In its 1999–2000 budget, the federal government announced a one-time supplement of $3.5 billion nationally to be paid on an equal per-capita basis to provinces for health care, through the CHST program. Nova Scotia's share of the $3.5 billion was $107.1 million. In its 2000–01 budget, the federal government provided an additional $2.5 billion supplement to the CHST, for health care and post-secondary education, allocated on an equal per-capita basis. Nova Scotia's share of the $2.5-billion increase to CHST was $75.4 million.

Sensitivity

Revenue estimates are based on a number of economic, financial, and statistical assumptions. As these variables change throughout the year and as more information becomes available, they have an impact, either negatively of positively, on the revenue forecasts. It is important to note that these variables can move quite independently from each other and often have offsetting effects. The following table lists the major revenue sources of the province and indicates some of the key variables that affect that source's forecast throughout the year.

Revenue Source	*Key Variables*
Personal Income Taxes	–personal income levels by type
	–national levels of basic federal tax and taxable income
	–Nova Scotia share of national levels of basic federal tax and taxable income
Corporate Income Taxes	–corporate taxable income levels (national)
	–Nova Scotia share of national levels
	–tax credit usage
	–corporate profit levels
HST	–personal consumer expenditure levels
	–spending by exempt industries
	–rebate levels
Tobacco, Gasoline, and Diesel Taxes	–personal consumer expenditure levels
	–tobacco and fuel consumption patterns
Liquor Commission Profits	–personal consumer expenditure levels
	–consumption patterns
Gaming Corporation Profits	–personal consumer expenditure levels
	–gaming patterns
Equalization	–changes in 33 different tax bases
	–changes in population
	–economic activity in Nova Scotia vs the standard provinces
CHST	–changes in personal and corporate income taxes
	–changes in population
	–changes in tax point values

Additional Information

In addition to the key economic and fiscal assumptions contained in the 2001–02 revenue estimates, the following information should also be taken into account when interpreting the revenue estimates.

The revenue estimates for 2001–02 are considered to have been prepared on a basis consistent with accounting policies currently used by the province to record and/or recognize revenue for purposes of its consolidated fund. As a result, revenue for certain government service organizations that are consolidated for financial statement purposes are not included in the province's estimates, including revenue estimates.

The Department of Finance and other departments or agencies of the province have prepared their specific revenue estimates for 2001–02 using a combination of current internal and external models and other information available. Every effort has been taken to ensure the integrity of the results of the models and other information. As actual or more current information becomes available, adjustments may be necessary to the projection of revenues.

The revenue forecast to be received through federal transfer payment programs pursuant to the Federal-Provincial Fiscal Arrangements Act incorporates official information released by the federal government as of February 27, 2001. Prior Years' Adjustments (PYAs) are normally made to federal transfers and to income tax revenues. All PYAs to date have been included in the forecast for 2000–01.

Recoveries of expenditures under various federal-provincial agreements or from other departments or entities, user fees, and income on sinking fund investments have been estimated and are netted against departmental expenditures for purposes of approval of appropriations for 2001–02.

Any and all impacts or implications of the government's actions or plans to reduce or further control public-sector expenditures have been fully considered and appropriately reflected in the specific economic and revenue estimates.

Financial and Supplementary Information

to the Budget Address 2001–02

BUDGETARY SUMMARY

($ thousands)

Schedule 1

ESTIMATE 1999-2000	*ACTUAL 1999-2000*	*ESTIMATE 2000-2001*	*FORECAST 2000-2001*		*ESTIMATE 2001-2002*
				Consolidated Fund	
4,622,985	**4,784,287**	**4,794,941**	**5,044,484**	**Ordinary Revenue**	**5,134,771**
				Net Expenses	
4,231,177	4,294,096	4,146,012	4,235,501	Net Program Expenses	4,324,619
799,552	827,123	899,122	970,680	Net Debt Servicing Costs	908,857
5,030,729	**5,121,219**	**5,045,134**	**5,206,181**		**5,233,476**
(407,744)	**(336,932)**	**(250,193)**	**(161,697)**		**(98,705)**
				Consolidation and Accounting Adjustments for Government Service Organizations	
—	1,596,471	—	—	Consolidated Fund Consolidation Adjustments	—
—	(1,053,060)	—	—	Health and Hospital Boards Operations	—
—	(698,517)	—	—	School Boards Operations	—
—	(40,382)	—	—	Other Organizations	—
—	**(195,488)**	—	—		—
				Net Income (Losses) for Government Business Enterprises	
(65,100)	(26,164)	(25,900)	(41,800)	Nova Scotia Resources Limited	—
(31,800)	(34,489)	—	—	Sydney Steel Corporation	—
8,000	295,136	8,000	4,600	Other Enterprises	8,000
(88,900)	**234,483**	**(17,900)**	**(37,200)**		**8,000**
(496,644)	**(297,937)**	**(268,093)**	**(198,897)**	**Provincial Surplus (Deficit) before Unusual Items**	**(90,705)**
				Unusual Items	
—	(68,500)	—	—	Environmental Clean-Up	—
—	(406,800)	—	—	Sydney Steel Corporation	—
—	**(475,300)**	—	—		—
(496,644)	**(773,237)**	**(268,093)**	**(198,897)**	**Provincial Surplus (Deficit)**	**(90,705)**

ORDINARY REVENUE - SUMMARY

Schedule 2

By Revenue Source

($ thousands)

ESTIMATE *1999-2000*	***ACTUAL*** *1999-2000*	***ESTIMATE*** *2000-2001*	***FORECAST*** *2000-2001*		***ESTIMATE*** *2001-2002*
				Provincial Sources	
1,044,742	1,144,871	1,144,925	1,228,672	Personal Income Tax	1,250,795
127,102	149,379	161,653	169,232	Corporate Income Tax	200,864
759,450	754,827	786,309	804,280	Harmonized Sales Tax	845,724
219,945	219,389	232,335	209,100	Motive Fuel Taxes	215,500
161,622	164,926	175,119	167,250	Gaming Corporation Profits	170,800
133,500	135,170	141,000	137,000	Liquor Commission Profits	139,800
35,325	34,428	35,507	34,777	Interest Revenues	34,587
2,500	1,970	6,000	9,000	Royalties - Petroleum	14,000
302,576	305,281	301,705	303,098	Other Provincial Sources	306,130
2,786,762	**2,910,241**	**2,984,553**	**3,062,409**		**3,178,200**
				Federal Sources	
1,257,629	1,279,610	1,279,630	1,395,500	Equalization	1,394,000
521,487	527,920	522,928	526,054	Canada Health and Social Transfer	560,241
52,700	52,700	—	—	Federal Compensation for Harmonization	—
4,407	4,416	7,830	2,330	Other Federal Sources	2,330
1,836,223	**1,864,646**	**1,810,388**	**1,923,884**		**1,956,571**
—	**9,400**	—	**58,191**	**Prior Years' Adjustments - Federal-Provincial Fiscal Arrangements**	—
4,622,985	**4,784,287**	**4,794,941**	**5,044,484**		**5,134,771**

NET PROGRAM EXPENSES - SUMMARY

($ thousands)

Schedule 3

ESTIMATE *1999-2000*	**ACTUAL** *1999-2000*	**ESTIMATE** *2000-2001*	**FORECAST** *2000-2001*		**ESTIMATE** *2001-2002*
—	—	—	—	Agriculture and Fisheries	40,885
42,238	42,223	33,537	34,656	Agriculture and Marketing	—
33,135	32,037	31,201	31,689	Business and Consumer Services	—
580,173	583,228	575,989	583,748	Community Services	626,508
60,268	89,263	49,033	63,731	Economic Development	34,708
873,746	969,747	858,832	869,931	Education	888,437
197,232	197,232	201,232	203,732	Assistance to Universities	201,232
15,678	15,437	13,132	12,401	Environment	—
—	—	—	—	Environment and Labour	27,072
9,941	8,938	9,298	9,001	Finance	12,867
9,396	8,899	5,716	5,716	Fisheries and Aquaculture	—
1,770,630	1,767,440	1,686,140	1,750,641	Health	1,819,031
101,938	101,923	88,663	88,461	Housing and Municipal Affairs	—
4,334	3,934	3,986	3,979	Human Resources	—
82,582	85,250	82,293	82,293	Justice	88,883
11,040	8,993	8,689	8,137	Labour	—
56,707	55,414	52,090	51,329	Natural Resources	53,945
86,015	101,888	76,244	77,667	Public Service	104,236
—	—	—	—	Service Nova Scotia and Municipal Relations	100,237
40,456	40,423	38,388	38,388	Tourism and Culture	39,457
239,568	236,303	243,514	245,401	Transportation and Public Works	233,469
16,100	(54,476)	88,035	74,600	Restructuring Costs	53,652
4,231,177	**4,294,096**	**4,146,012**	**4,235,501**		**4,324,619**

Note: The 2001-2002 Estimate for Net Program Expenses is comprised of the departmental operating budget and the amortization expense relating to existing Tangible Capital Assets and purchases planned in fiscal 2001-2002. The cost of the purchases planned in 2001-2002 are noted as "Capital Purchases" in Schedule 7. The 1999-2000 Estimate and Actual and the 2000-2001 Estimate and Forecast have not been restated.

NET DEBT SERVICING COSTS - SUMMARY

Schedule 4

($ thousands)

ESTIMATE *1999-2000*	***ACTUAL*** *1999-2000*	***ESTIMATE*** *2000-2001*	***FORECAST*** *2000-2001*		***ESTIMATE*** *2001-2002*
949,252	975,781	1,049,485	1,097,255	Debt Servicing Costs	1,043,399
(149,700)	(148,658)	(150,363)	(126,575)	Less: Sinking Fund Earnings	(134,542)
799,552	**827,123**	**899,122**	**970,680**		**908,857**

Note: For further details on the underlying assumptions that support the Debt Servicing Costs projections, see Schedule 15; Page A46.

STATUTORY CAPITAL ITEMS - SUMMARY

Schedule 5

($ thousands)

ACTUAL *1999-2000*	***ESTIMATE*** *2000-2001*	***FORECAST*** *2000-2001*		***ESTIMATE*** *2001-2002*
			CAPITAL ADVANCES AND INVESTMENTS The following is given for information as to the proposed program	
			Additional Advances and Investments (A)	
14,107	14,000	19,000	Fisheries Development Fund	20,000
—	20,000	—	Housing Development Fund	—
11,080	17,500	9,800	Industrial Development Act	10,000
30,821	36,000	26,000	Nova Scotia Business Development Corporation	46,000
18,089	28,000	27,000	Nova Scotia Farm Loan Board	28,000
74,097	**115,500**	**81,800**		**104,000**
			Repayments (A)	
8,878	9,300	8,800	Fisheries Development Fund	9,300
99,775	19,189	—	Housing Development Fund	—
680	2,000	9,700	Industrial Development Act	4,000
13	—	—	Municipal Hospitals Loan Act	—
336	235	235	Municipal Loan and Building Fund Act	210
18,135	16,000	16,750	Nova Scotia Business Development Corporation	16,000
14,658	17,000	14,500	Nova Scotia Farm Loan Board	15,500
61	—	—	Venture Corporations Act	—
1,158	93	93	Miscellaneous	73
143,694	**63,817**	**50,078**		**45,083**
(69,597)	**51,683**	**31,722**	**Net Capital Advances and Investments**	**58,917**
			CAPITAL ADVANCES UNDER THE APPROPRIATIONS ACT	
—	45	—	Agriculture and Marketing	—

(A) - Capital Advances and Investments for which no Vote is required under the Appropriations Act. The Spending Authority is contained in the respective Statutes. Borrowing provided for under the Appropriations Act.

Financial Statistics

to the Budget Address 2001–02

HISTORICAL ANALYSIS OF ORDINARY REVENUES BY SOURCE

Schedule 6

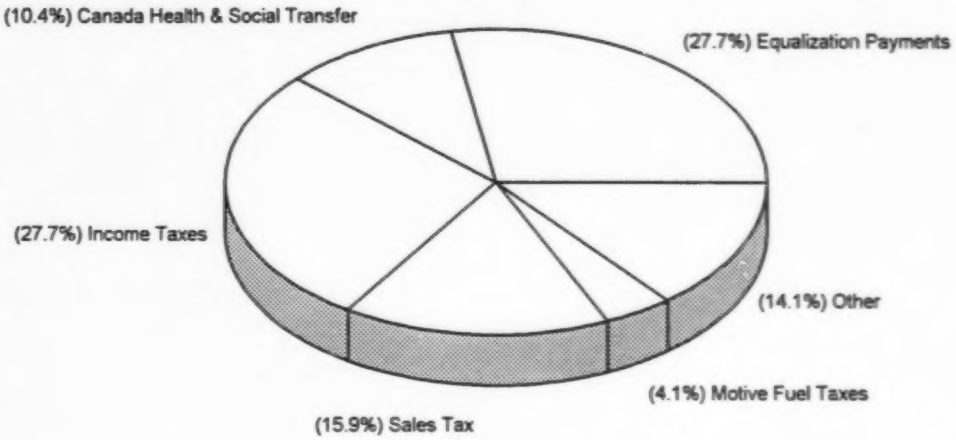
	1997-1998	*1998-1999*	*1999-2000*	*FORECAST 2000-2001*	*ESTIMATE 2001-2002*
REVENUE BY SOURCE *($ thousands)*					
Provincial Sources					
Personal Income Tax	997,562	992,205	1,144,871	1,228,672	1,250,795
Corporate Income Tax	121,682	119,356	149,379	169,232	200,864
Sales Tax	716,897	723,391	754,827	804,280	845,724
Tobacco Tax	70,660	74,598	76,543	77,500	83,200
Motive Fuel Taxes	204,114	211,606	219,389	209,100	215,500
Gaming Corporation Profits	141,172	144,414	164,926	167,250	170,800
Liquor Commission Profits	118,477	129,200	135,170	137,000	139,800
Interest Revenues	167,216	179,500	34,428	34,777	34,587
Registry of Motor Vehicles	54,884	60,980	61,439	64,482	62,749
Royalties - Petroleum	1,391	1,834	1,970	9,000	14,000
Other Provincial Sources	154,192	184,383	167,299	161,116	160,181
Prior Years' Adjustments - Provincial Sources	5,891	31,307	56,428	76,003	—
Federal Sources					
Equalization	1,194,359	1,260,683	1,279,610	1,395,500	1,394,000
Canada Health and Social Transfer	438,669	426,874	527,920	526,054	560,241
Federal Compensation for Harmonization	118,600	77,700	52,700	—	—
Other Federal Sources	3,296	3,845	4,416	2,330	2,330
Prior Years' Adjustments - Federal Sources	70,071	75,462	(47,028)	(17,812)	—
Total Ordinary Revenues	**4,579,133**	**4,697,338**	**4,784,287**	**5,044,484**	**5,134,771**

	1997-1998	*1998-1999*	*1999-2000*	*FORECAST 2000-2001*	*ESTIMATE 2001-2002*
REVENUE BY SOURCE *(as a percentage of Total Ordinary Revenues)*					
Provincial Sources					
Personal Income Tax	21.8%	21.1%	23.9%	24.4%	24.4%
Corporate Income Tax	2.7%	2.5%	3.1%	3.4%	3.9%
Sales Tax	15.7%	15.4%	15.8%	15.9%	16.5%
Tobacco Tax	1.5%	1.6%	1.6%	1.5%	1.6%
Motive Fuel Taxes	4.5%	4.5%	4.6%	4.1%	4.2%
Gaming Corporation Profits	3.1%	3.1%	3.4%	3.3%	3.3%
Liquor Commission Profits	2.6%	2.8%	2.8%	2.7%	2.7%
Interest Revenues	3.7%	3.8%	0.7%	0.7%	0.7%
Registry of Motor Vehicles	1.2%	1.3%	1.3%	1.3%	1.2%
Royalties - Petroleum	0.0%	0.0%	0.0%	0.2%	0.3%
Other Provincial Sources	3.4%	3.9%	3.5%	3.2%	3.1%
Prior Years' Adjustments - Provincial Sources	0.1%	0.7%	1.2%	1.5%	—
Total - Provincial Sources	**60.1%**	**60.7%**	**62.0%**	**62.2%**	**61.9%**
Federal Sources					
Equalization	26.1%	26.8%	26.7%	27.7%	27.1%
Canada Health and Social Transfer	9.6%	9.1%	11.0%	10.4%	10.9%
Federal Compensation for Harmonization	2.6%	1.7%	1.1%	—	—
Other Federal Sources	0.1%	0.1%	0.1%	0.0%	0.0%
Prior Years' Adjustments - Federal Sources	1.5%	1.6%	-1.0%	-0.4%	—
Total - Federal Sources	**39.9%**	**39.3%**	**38.0%**	**37.8%**	**38.1%**
Total Ordinary Revenues	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**

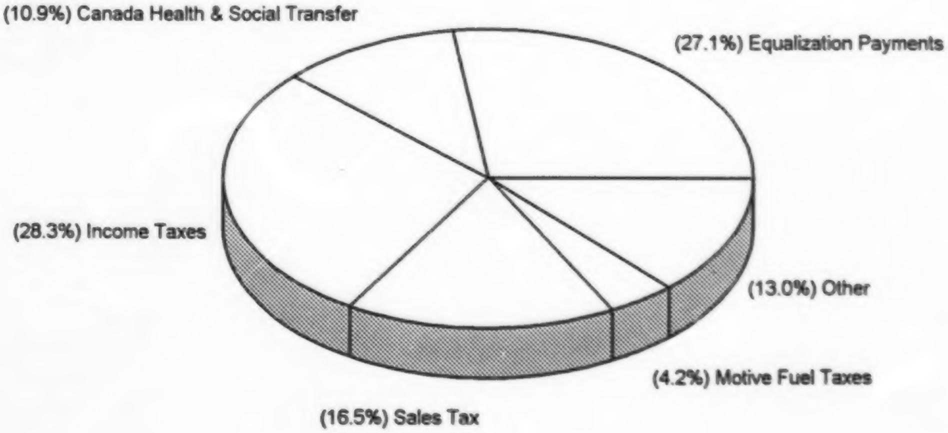
ORDINARY REVENUES BY SOURCE

Chart 1

2000-2001 FORECAST



2001-2002 ESTIMATE



HISTORICAL ANALYSIS OF TOTAL NET EXPENSES BY FUNCTION

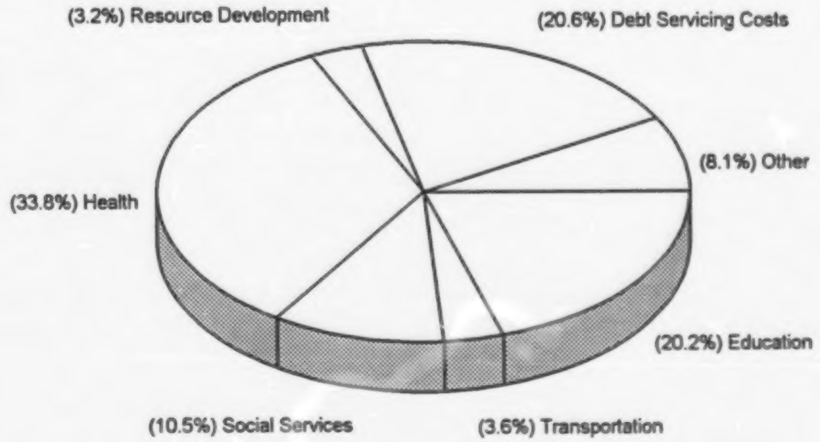
Schedule 7

	1997-1998	1998-1999	1999-2000	FORECAST 2000-2001	ESTIMATE 2001-2002
FUNCTION *($ thousands)*					
General Government	146,374	143,632	96,981	167,877	126,810
Public Protection	130,524	145,861	161,596	152,066	161,111
Transportation	216,395	189,928	181,575	194,227	191,443
Resource Development	158,847	160,033	195,894	171,474	161,593
Health	1,472,827	1,654,260	1,797,415	1,805,096	1,904,132
Social Services	570,858	561,599	571,727	560,150	589,947
Education	941,965	1,089,787	1,172,153	1,078,642	1,092,577
Culture and Recreation	38,753	39,025	43,842	41,296	41,783
Municipal Affairs	66,309	76,988	72,913	64,673	55,223
Total Net Program Expenses	**3,742,852**	**4,061,113**	**4,294,096**	**4,235,501**	**4,324,619**
Debt Servicing Costs	797,785	952,449	975,781	1,097,255	1,043,399
Total Net Expenses	**4,540,637**	**5,013,562**	**5,269,877**	**5,332,756**	**5,368,018**
FUNCTION *(as a percentage of Total Net Expenses)*					
General Government	3.1%	2.9%	1.8%	3.2%	2.4%
Public Protection	2.9%	2.9%	3.1%	2.9%	3.0%
Transportation	4.8%	3.8%	3.5%	3.6%	3.6%
Resource Development	3.5%	3.2%	3.7%	3.2%	3.0%
Health	32.4%	33.0%	34.1%	33.8%	35.5%
Social Services	12.6%	11.2%	10.9%	10.5%	11.0%
Education	20.7%	21.7%	22.2%	20.2%	20.3%
Culture and Recreation	0.9%	0.8%	0.8%	0.8%	0.8%
Municipal Affairs	1.5%	1.5%	1.4%	1.2%	1.0%
Total Net Program Expenses	**82.4%**	**81.0%**	**81.5%**	**79.4%**	**80.6%**
Debt Servicing Costs	17.6%	19.0%	18.5%	20.6%	19.4%
Total Net Expenses	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**

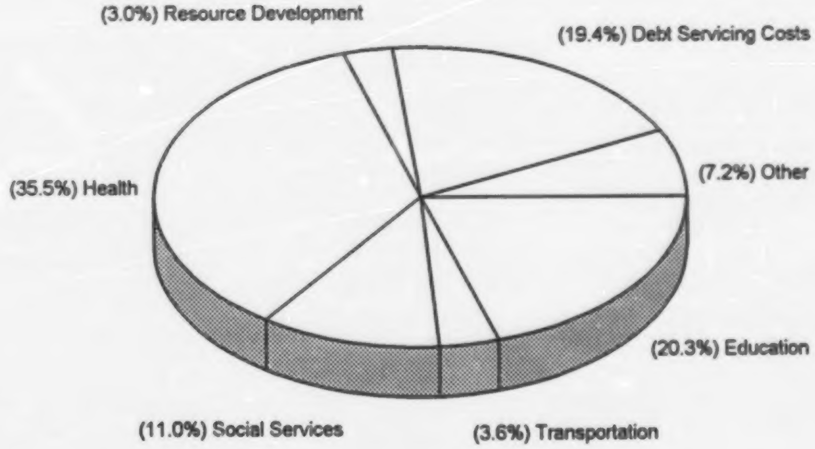
TOTAL NET EXPENSES BY FUNCTION

Chart 2

2000-2001 FORECAST



2001-2002 ESTIMATE



SUMMARY OF REVENUES AND EXPENSES BY SOURCE AND FUNCTION

Schedule 8

($ thousands)

ESTIMATE *2000-2001*	***FORECAST*** *2000-2001*	***CHANGE OVER ESTIMATE*** *2000-2001*		***ESTIMATE*** *2001-2002*
			Consolidated Fund	
			Net Revenues by Source	
			Provincial Sources	
1,144,925	1,228,672	83,747	Personal Income Tax	1,250,795
161,653	169,232	7,579	Corporate Income Tax	200,864
786,309	804,280	17,971	Harmonized Sales Tax	845,724
80,100	77,500	(2,600)	Tobacco Tax	83,200
232,335	209,100	(23,235)	Motive Fuel Taxes	215,500
175,119	167,250	(7,869)	Gaming Corporation Profits	170,800
141,000	137,000	(4,000)	Liquor Commission Profits	139,800
35,507	34,777	(730)	Interest Revenues	34,587
61,440	64,482	3,042	Registry of Motor Vehicles	62,749
6,000	9,000	3,000	Royalties - Petroleum	14,000
160,165	161,116	951	Other Provincial Sources	160,181
			Federal Sources	
1,279,630	1,395,500	115,870	Equalization	1,394,000
522,928	526,054	3,126	Canada Health and Social Transfer	560,241
7,830	2,330	(5,500)	Other Federal Sources	2,330
—	58,191	58,191	Prior Years' Adjustments - Federal-Provincial Fiscal Arrangements	—
4,794,941	**5,044,484**	**249,543**	**Total - Net Revenues**	**5,134,771**
			Net Expenses by Function	
214,363	167,877	(46,486)	General Government	126,810
146,396	152,066	5,670	Public Protection	161,111
192,951	194,227	1,276	Transportation	191,443
148,585	171,474	22,889	Resource Development	161,593
1,723,397	1,805,096	81,699	Health	1,904,132
556,405	560,150	3,745	Social Services	589,947
1,058,111	1,078,642	20,531	Education	1,092,577
40,559	41,296	737	Culture and Recreation	41,783
65,245	64,673	(572)	Municipal Affairs	55,223
4,146,012	**4,235,501**	**89,489**	**Total - Net Program Expenses**	**4,324,619**
899,122	**970,680**	**71,558**	**Net Debt Servicing Costs**	**908,857**
5,045,134	**5,206,181**	**161,047**	**Total - Net Expenses**	**5,233,476**
(250,193)	**(161,697)**	**88,496**		**(98,705)**
(17,900)	**(37,200)**	**(19,300)**	**Consolidation and Accounting Adjustments for Government Service Organizations and Net Income (Losses) Business Enterprises**	**8,000**
(268,093)	**(198,897)**	**69,196**	**Provincial Surplus (Deficit)**	**(90,705)**

Economic Indicators

to the Budget Address 2001–02

GROSS DOMESTIC PRODUCT at MARKET PRICES

Schedule 9

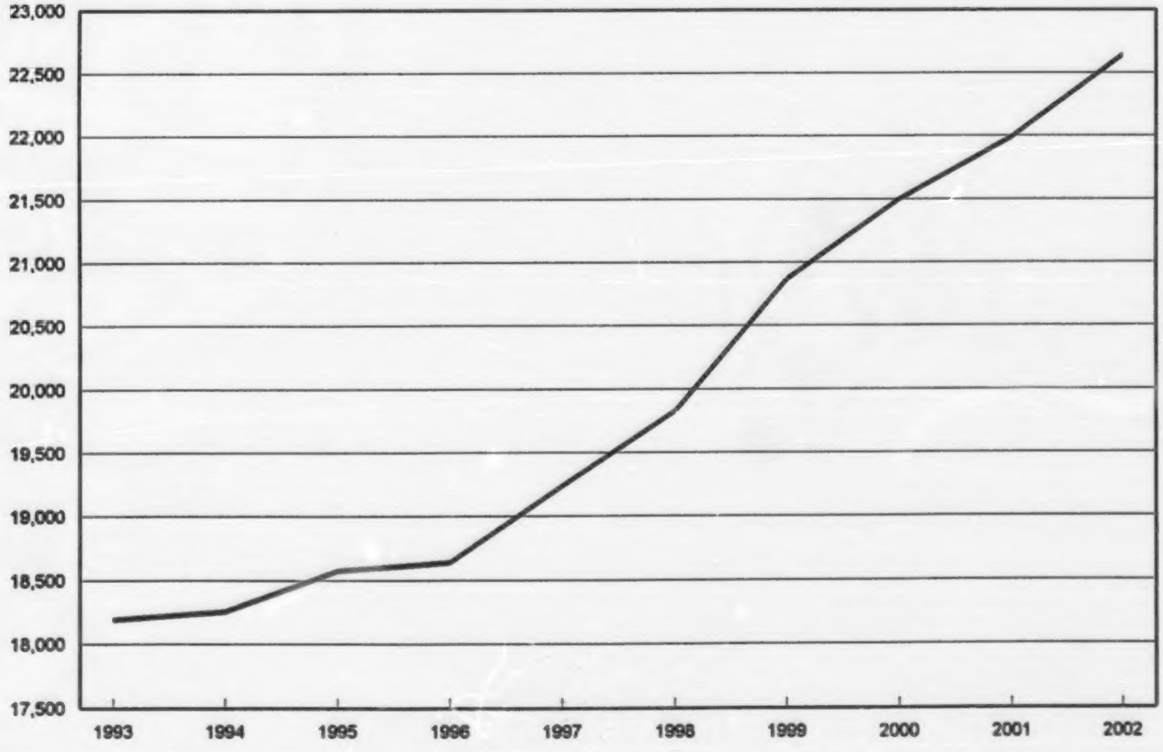
(Constant 1992 $ millions)

YEAR	NOVA SCOTIA (1)	GROWTH RATE %	CANADA (2)	GROWTH RATE %
1993	18,193		714,583	
1994	18,256	0.3	748,350	4.7
1995	18,578	1.8	769,082	2.8
1996	18,641	0.3	780,916	1.5
1997	19,242	3.2	815,013	4.4
1998	19,828	3.0	842,002	3.3
1999	20,865	5.2	880,254	4.5
2000	21,497 *	3.0	924,274 p	5.0
2001	21,989 p	2.3	949,473 p	2.7
2002	22,638 p	3.0	980,504 p	3.3

1 Source: Statistics Canada, Provincial Economic Accounts, Cat. No. 13-213-PPB
2 Source: Statistics Canada, National Income and Expenditure Accounts, Cat. No. 13-001-PPB
* Preliminary Actuals; Source: Nova Scotia Department of Finance
p Preliminary Projections; Source: Nova Scotia Department of Finance

Nova Scotia Gross Domestic Product at Market Prices

(Constant 1992 $ millions)



PERSONAL INCOME PER CAPITA

(dollars)

Schedule 10

YEAR	NOVA SCOTIA (1)	% CHANGE	CANADA (1)	% CHANGE
1993	19,377		22,080	
1994	19,515	0.7	22,272	0.9
1995	19,920	2.1	22,907	2.9
1996	19,950	0.2	23,177	1.2
1997	20,470	2.6	23,832	2.8
1998	21,347	4.3	24,660	3.5
1999	22,191	4.0	25,452	3.2
2000	23,190 *	4.5	26,729 **	5.0
2001	23,879 p	3.0	27,621 p	3.3
2002	24,807 p	3.9	28,513 p	3.2

1 Source: Statistics Canada, Cat. Nos. 13-001-XPB, 13-213-PPB, Statistics Canada, Demography Division and Nova Scotia Department of Finance

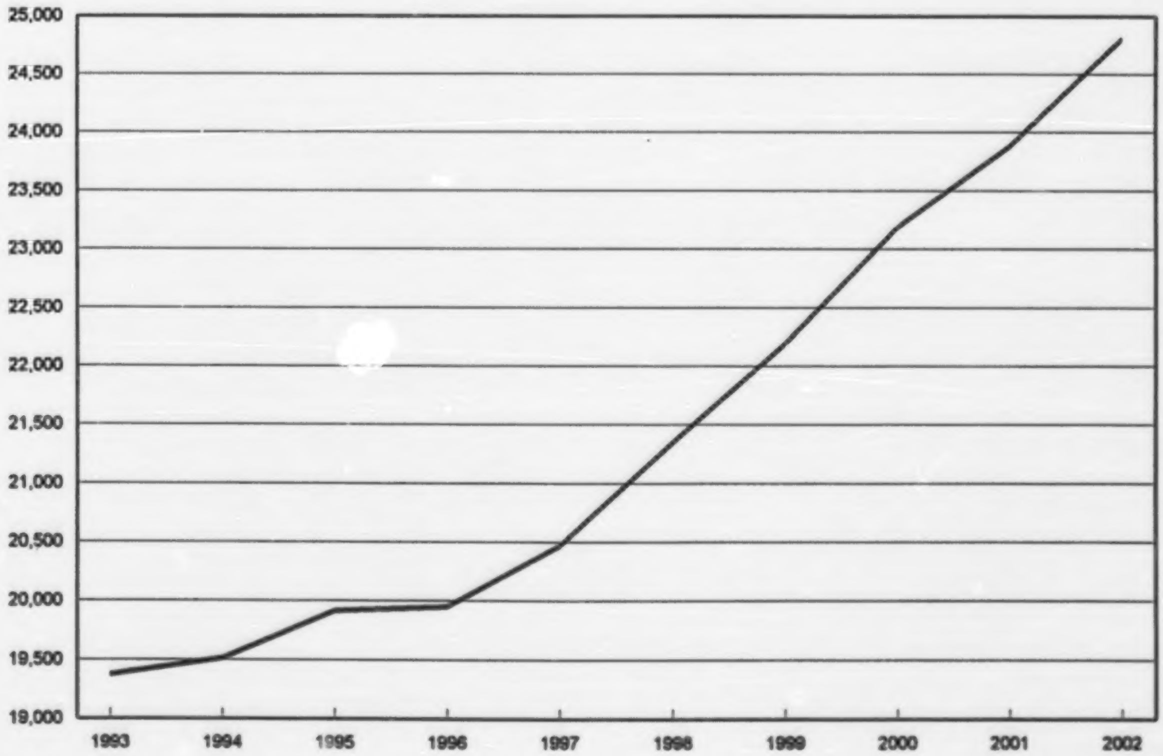
* Preliminary Actuals; Source: Nova Scotia Department of Finance

** Preliminary Actuals; Source: Statistics Canada, Cat. Nos. 13-001-XPB and Statistics Canada, Demography Division

p Preliminary Projections; Source: Nova Scotia Department of Finance

Personal Income Per Capita in Nova Scotia

(dollars)



NOVA SCOTIA LABOUR MARKET

(thousands of persons)

Schedule 11

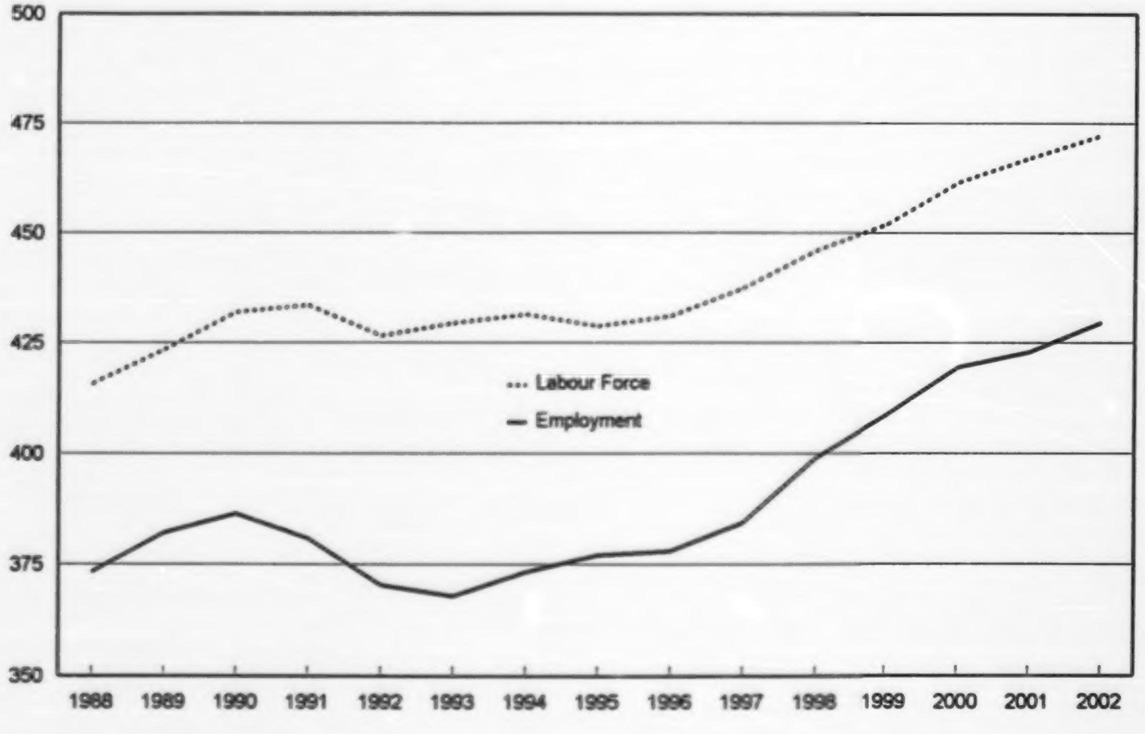
YEAR	LABOUR FORCE (1)	% CHANGE	EMPLOYMENT (1)	% CHANGE
1988	416		373	
1989	424	1.9	382	2.4
1990	432	2.0	387	1.2
1991	434	0.4	381	(1.4)
1992	427	(1.6)	370	(2.8)
1993	430	0.7	368	(0.7)
1994	432	0.5	373	1.5
1995	429	(0.6)	377	1.0
1996	431	0.5	378	0.3
1997	437	1.5	384	1.6
1998	446	1.9	399	3.8
1999	452	1.4	409	2.4
2000	462	2.1	420	2.7
2001	467 p	1.2	423 p	0.8
2002	472 p	1.1	430 p	1.6

1 Source: Statistics Canada, Historical Labour Force Statistics, Cat. No. 71-201-XPB

p Preliminary Projections; Source: Nova Scotia Department of Finance

Nova Scotia Labour Market

(thousands of persons)



UNEMPLOYMENT *Schedule 12*

(thousands of persons)

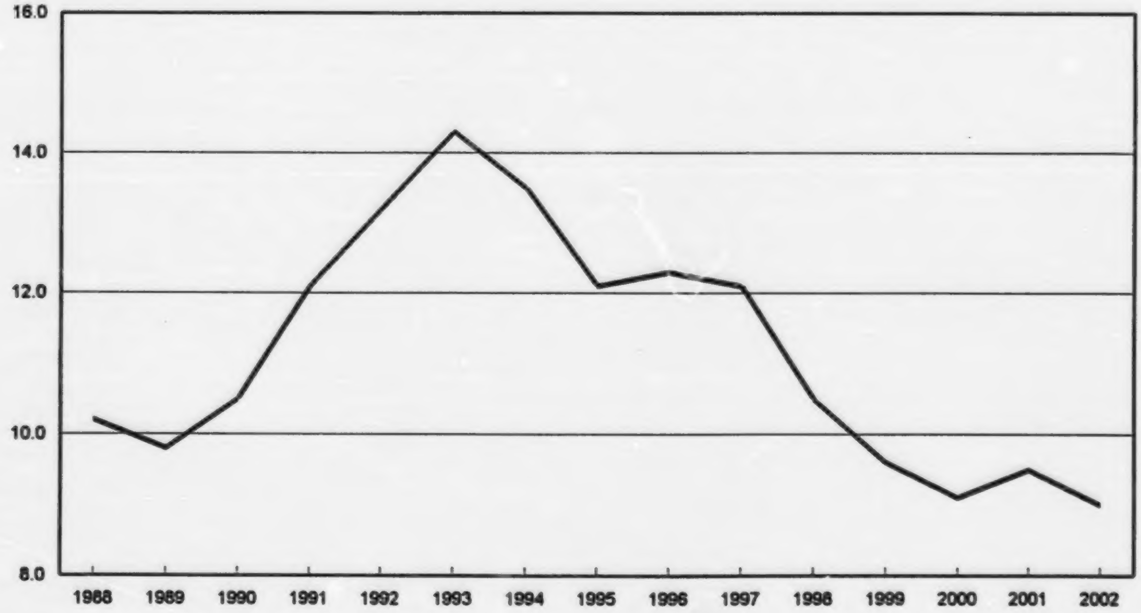
	NOVA SCOTIA (1)		CANADA (1)	
YEAR	UNEMPLOYED	UNEMPLOYMENT RATE %	UNEMPLOYED	UNEMPLOYMENT RATE %
1988	42	10.2	1,068	7.8
1989	41	9.8	1,060	7.5
1990	46	10.5	1,157	8.1
1991	53	12.1	1,480	10.3
1992	56	13.2	1,602	11.2
1993	62	14.3	1,647	11.4
1994	58	13.5	1,515	10.4
1995	52	12.1	1,393	9.4
1996	53	12.3	1,437	9.6
1997	53	12.1	1,379	9.1
1998	47	10.5	1,277	8.3
1999	43	9.6	1,190	7.6
2000	42	9.1	1,090	6.8
2001	44 p	9.5 p	1,093 p	6.7 p
2002	43 p	9.0 p	1,066 p	6.4 p

1 Source: Statistics Canada, Historical Labour Force Statistics, Cat No. 71-201-XPB
p Preliminary Projections; Source: Nova Scotia Department of Finance

Note: The unemployment statistics shown in this table are annual averages of the monthly indices.

Unemployment Rate in Nova Scotia

(Per Cent)



Fiscal Plan 2001–02 to 2004–2005

to the Budget Address 2001–02

FISCAL PLAN 2001-2002 to 2004-2005

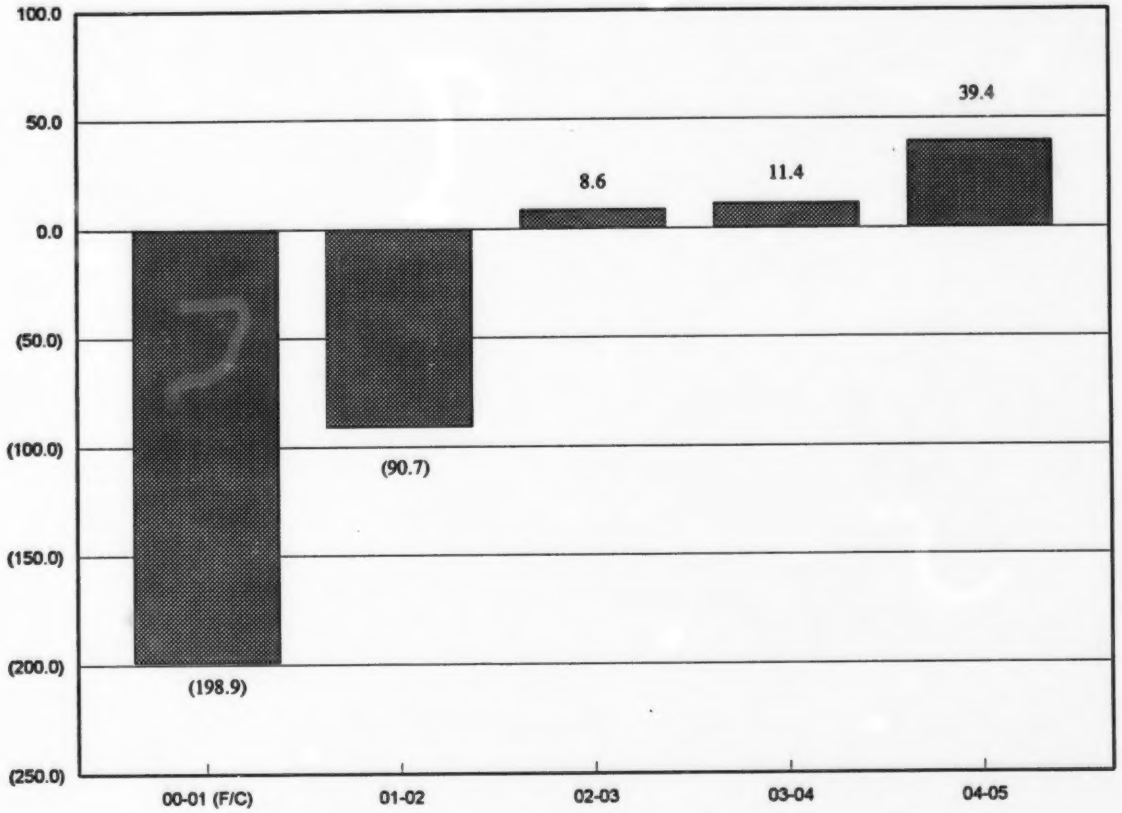
Schedule 13

($ millions)

	ESTIMATE 2000-2001	FORECAST 2000-2001	ESTIMATE 2001-2002	ESTIMATE 2002-2003	ESTIMATE 2003-2004	ESTIMATE 2004-2005
Revenue	4,794.9	5,044.5	5,134.8	5,248.8	5,314.7	5,485.2
Net Program Expenses	4,058.0	4,160.9	4,271.0	4,298.3	4,313.1	4,380.1
Restructuring Costs	88.0	74.6	53.7	53.7	73.1	117.2
Net Program Expenses	4,146.0	4,235.5	4,324.6	4,352.1	4,386.1	4,497.4
Debt Servicing Costs	1,049.5	1,097.3	1,043.4	1,035.9	1,063.7	1,098.0
Less: Sinking Fund Earnings	(150.4)	(126.6)	(134.5)	(139.8)	(138.4)	(141.6)
Net Debt Servicing Costs	899.1	970.7	908.9	896.1	925.2	956.4
Net Expenses	5,045.2	5,206.2	5,233.5	5,248.2	5,311.3	5,453.8
Net Income (Losses) Government Business Enterprises	(17.9)	(37.2)	8.0	8.0	8.0	8.0
Provincial Surplus (Deficit)	(268.1)	(198.9)	(90.7)	8.6	11.4	39.4

Chart 3

PROVINCIAL SURPLUS (DEFICIT)
Fiscal 2000-2001 to 2004-2005
($ millions)



With this budget, the Nova Scotia government is well on the road to fiscal stability. The plan will see the deficit gradually eliminated, a small surplus in fiscal 2002-2003, a surplus and tax cut in fiscal 2003-2004 and surpluses in subsequent fiscal years.

The government transformation reflected in this budget means a smaller, less costly government, that concentrates on those areas of responsibility where government belongs. The result will be a more efficient, service-oriented government that operates within its means and reflects the priorities of Nova Scotians.

That result will be achieved by careful adherence to the government's four year fiscal plan. Under this plan, revenues will increase and the cost of running government will be kept as flat as possible, eliminating the need for deficit financing in fiscal 2002-2003. As revenues continue to grow, a larger surplus will enable the government to return increased revenues to Nova Scotians in the form of a 10 per cent tax cut in fiscal 2003-2004.

The size of Nova Scotia's debt means that debt servicing costs will remain high throughout the four year plan. Debt servicing costs will start to decline once deficit financing is eliminated and surpluses can be applied to the principal.

Debt Management

to the Budget Address 2001–02

Overview of Debt Management in Fiscal 2000-2001

The Debt Management Committee oversees the debt management function of the Province by providing staff with strategic objectives and guidelines for financial risk management and capital market activities. The Deputy Minister of Finance is the chair of the DMC. The Committee exercises its authority by delegating certain functional tasks through Sub-Committees such as the Credit Sub-Committee, the ISDA Sub-Committee, the Cash Forecasting Sub-Committee, and the Internal Audit Sub-Committee.

In fiscal 2000-2001, the Province borrowed approximately $1.33 billion, down from the previous year's level of $1.5 billion. The Province took advantage of favorable market conditions domestically to complete the year's borrowing needs and refinancing of existing debt.

Structure of the Debt Portfolio

The following five profiles help describe the overall structure and risk profile of the Province's Debt Portfolio: 1) primary issuance market; 2) maturity schedule; 3) foreign currency exposure; 4) interest rate mix; and, 5) derivative counterparty exposure.

1) Primary Issuance Market

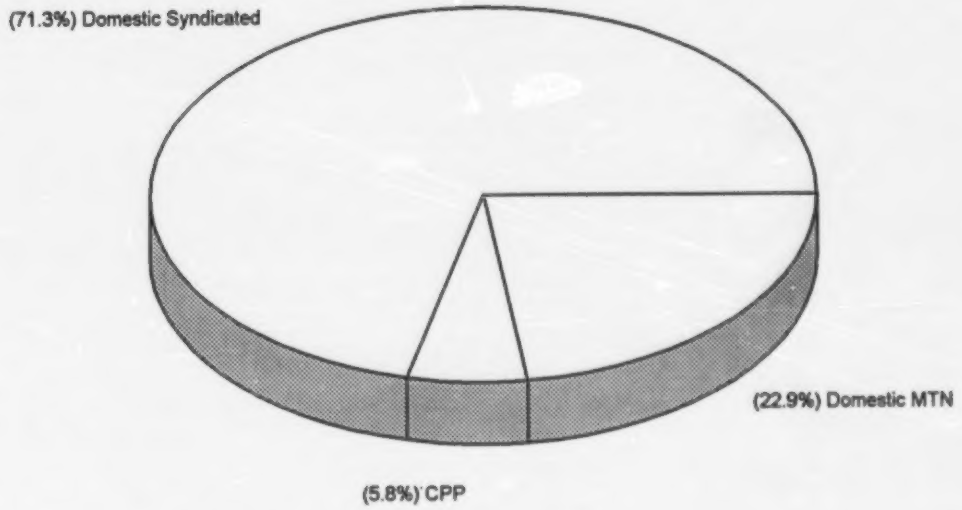
The Province borrowed all of its requirements for fiscal 2000-2001 in Canadian financial markets by way of three public issues, five Medium Term Notes (MTNs) and the refinancing of a Canada Pension Plan maturity. The overall size of the borrowing program decreased to $1.33 billion from its original forecast of $1.4 billion as the latter included pre-borrowing from the previous year. Chart 4, titled "Consolidated Fund Debt Portfolio - Issuance Profile", outlines the composition of debt issued in the 2000-2001 fiscal year.

The Province has a diversity of borrowing sources as this is an important factor in lower financing costs and maintaining a broad demand for Nova Scotia debt issues. The Province maintains documentation necessary in order to issue securities in both the United States and the Japanese markets. In early 2000, the Province established an Euro Medium Term Note program (EMTN) to provide more timely and efficient access to European institutional and retail markets. The Province executed its first transaction under the EMTN program in 2000-2001. The Province's Canadian dollar short term, promissory note program continues to be an important source of funding. In the 2000-2001 fiscal year the Province funded requirements of $766.2 million by issuing short-term promissory notes.

Some Crown agencies of the Province of Nova Scotia have lent monies to the consolidated fund on a short-term basis. At March 26, 2001, a total of $69.8 million was invested by the Nova Scotia Government Fund, the Workers Compensation Board of Nova Scotia, the Nova Scotia Gaming Corporation, the Nova Scotia Municipal Finance Corporation, and the Nova Scotia Crop and Livestock Insurance Commission.

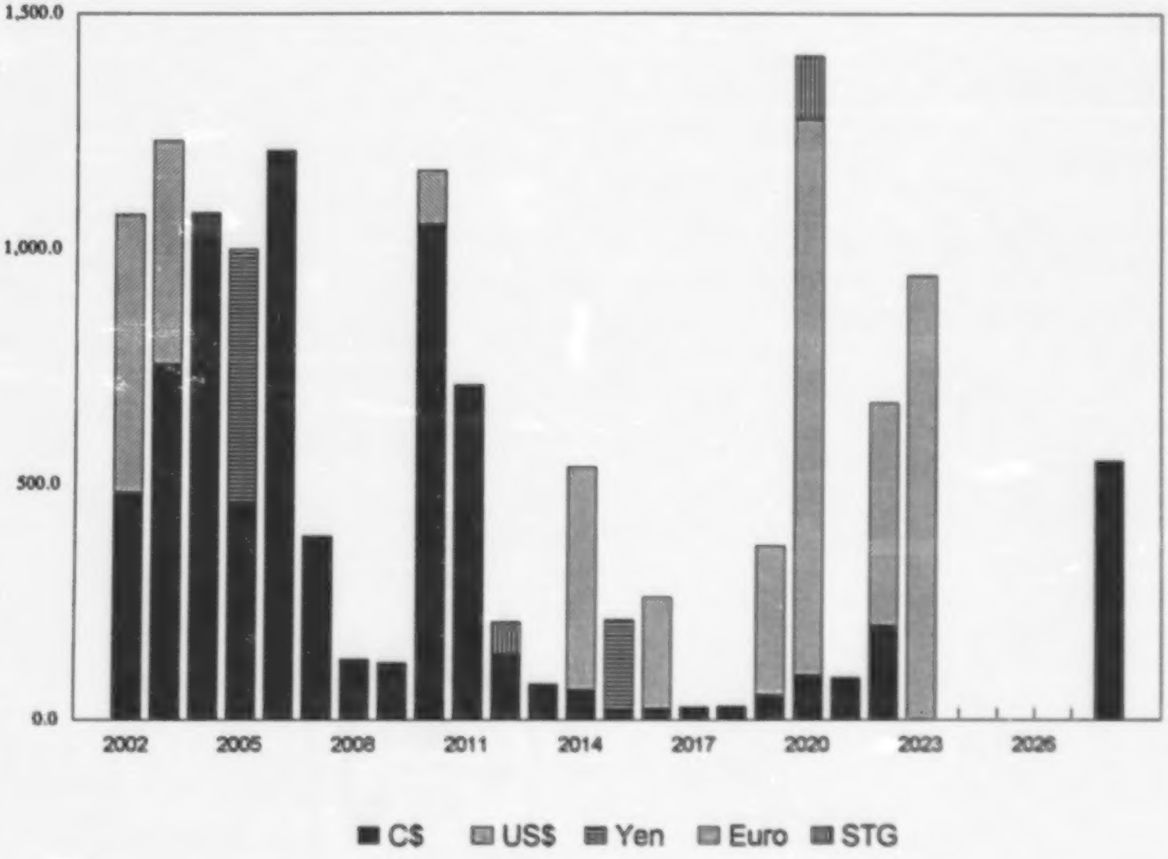
CONSOLIDATED FUND DEBT PORTFOLIO - Issuance Profile, 2000-2001

Chart 4



CONSOLIDATED FUND DEBT PORTFOLIO - Maturity Schedule *Chart 5*

(in C$ millions)



2) Maturity Schedule

The expected weighted average term to maturity of the debt portfolio at March 31, 2001 decreased moderately to 10.2 years from approximately 10.6 years in the previous year. Chart 5, titled "Consolidated Fund Debt Portfolio - Maturity Schedule", displays the maturity profile of the Province's debt portfolio. The currency exposures are shown prior to the effect of derivative transactions. Debt maturities over the next two years are $1.04 billion in fiscal 2001-2002 and $1.23 billion in fiscal 2002-2003 (see Schedule 17). These amounts are partially offset by Sinking Funds established to retire each debt issue. The Province also has the option of drawing down the Public Debt Retirement Fund (PDRF) which was established to retire debt and maintain liquidity.

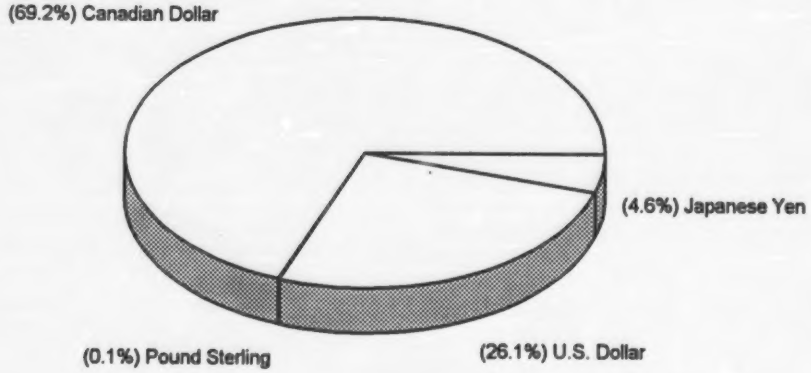
3) Foreign Currency Exposure

The Canadian dollar denominated debt represented the largest share of the portfolio at 69.2 per cent (excluding Sinking Funds and Debt Retirement Funds) based on the face value in Canadian dollars, up from 64.4 per cent a year earlier. The reduction in foreign currency exposure during fiscal 2000-2001 was due to a weakening of the Japanese Yen and increased Canadian dollar financing. These factors were somewhat offset by the decline in the value of the Canadian dollar relative to the US dollar. The Nova Scotia Provincial Finance Act requires that the Province reduce its foreign currency exposure to under 20.0 per cent and that all maturities of greater than one year are refinanced net in Canadian dollars. The Department of Finance continues to forecast that given this legislation in combination with the schedule of foreign currency maturities, the Province will achieve the 20.0 per cent foreign exposure target by no later than mid-2004.

CONSOLIDATED FUND DEBT PORTFOLIO - Foreign Currency Exposure

(at March 31, 2000)

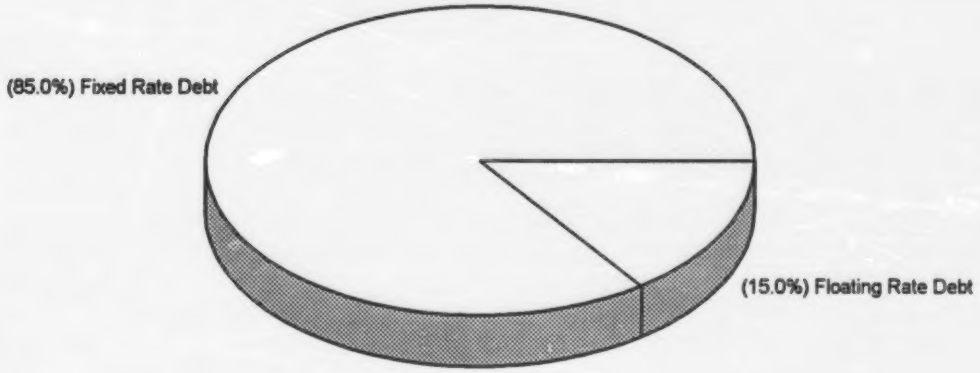
Chart 6



In fiscal 2000-2001, the value of the Canadian dollar against the US dollar (on a year-over-year basis) rose by 12 cents to the detriment of the Province. A rate of $1.5736 ($63.5 USD/CAD) for the Canadian dollar per USD is assumed for March 31, 2001. The value of the Japanese Yen rose to 123.8 from 102.7 Yen per USD to the benefit of the Province. The Province's largest foreign currency exposure remains to US dollars at 26.1 per cent, down from 28.0 percent a year earlier. Japanese yen exposure is the second largest foreign exposure at approximately 4.6 percent. The Province's Swiss Franc exposure was eliminated in fiscal 2000-2001. Chart 6, titled "Consolidated Fund Debt Portfolio - Foreign Currency Exposure", displays the current profile of the Province's debt portfolio after the use of derivatives.

CONSOLIDATED FUND DEBT PORTFOLIO - Fixed and Floating Rate Debt

Chart 7



4) Interest Rate Mix

The debt portfolio's exposure to floating interest rates has remained unchanged over the past year at 15.0 per cent for the fiscal year ended. This level is at the low end of the Province's floating rate exposure policy of having floating rate exposure in the range of 15.0% to 35.0% of debt outstanding. Having 85.0 percent of the total principal in fixed rate form provides stability in debt servicing costs for future years. Chart 7, titled "Consolidated Fund Debt Portfolio - Fixed And Floating Rate Debt", displays the interest profile of the Province's debt portfolio.

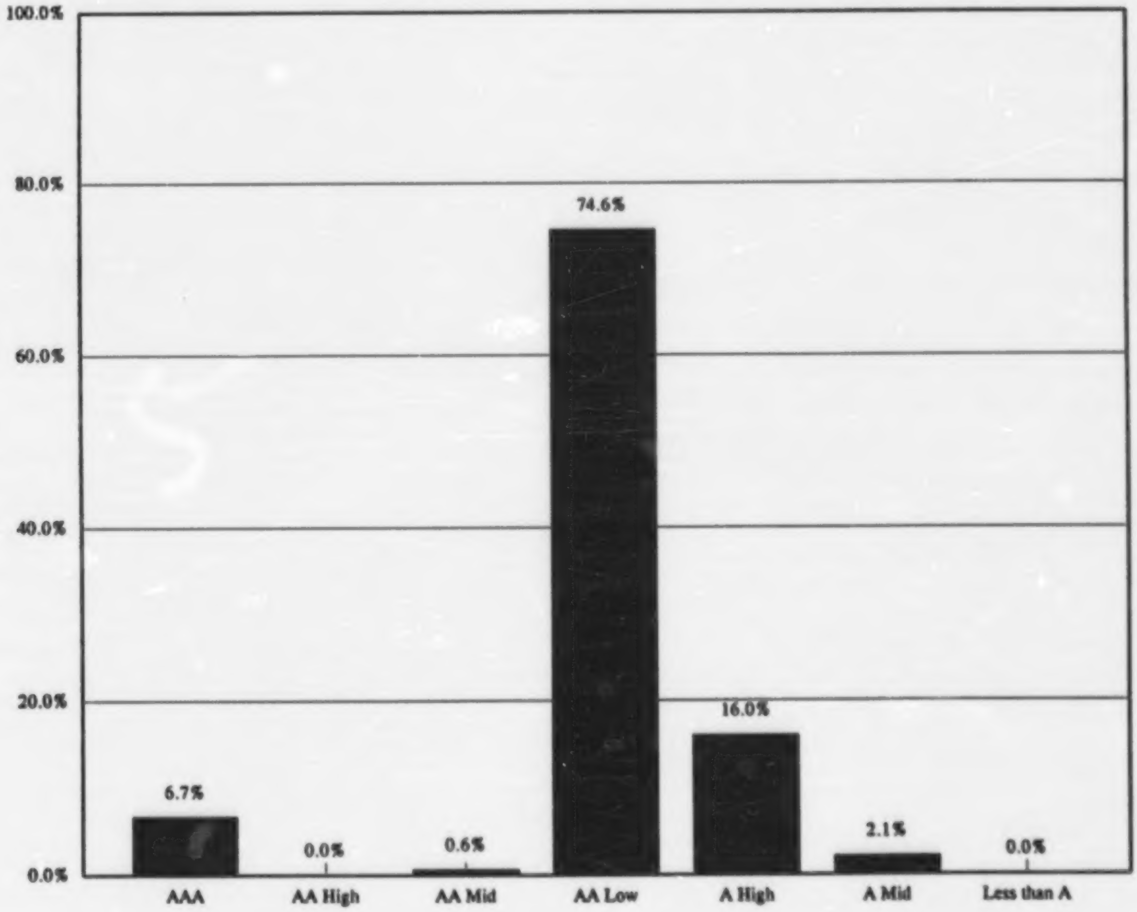
5) *Derivative Counterparty Exposure*

The Province is currently party to approximately $3.5 billion notional face value of derivative transactions. The Province's credit policy is that it only executes derivative transactions with well rated counterparties. All counterparties are rated equal to or better than the Province. The Liability Management Division actively manages credit risks of the derivative portfolio. All counterparty exposure and limits are reviewed monthly by the Credit Sub-Committee of the Debt Management Committee. Chart 8, titled "Consolidated Fund Debt Portfolio - Derivative Counterparty Rating", displays the percentage exposure with counterparties of various ratings. When a counterparty has a split rating, the Province uses the lower of the two ratings.

CONSOLIDATED FUND DEBT PORTFOLIO - Derivative Counterparty Rating

(per cent)

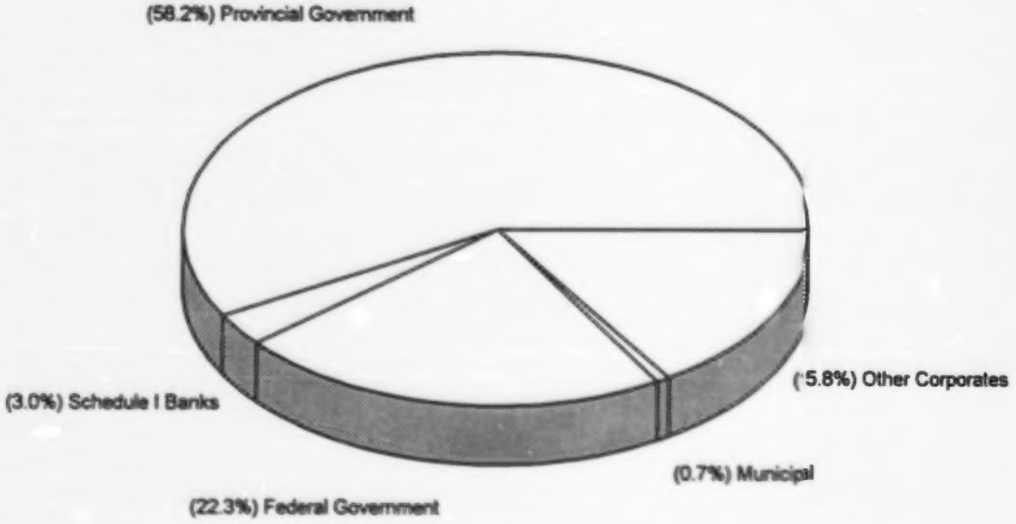
Chart 8



Sinking and Public Debt Retirement Funds *Investments by Type of Issuer*

(on a Book Value Basis)

Chart 9



Structure of Sinking Funds and Public Debt Retirement Fund

At March 31,2001, the estimated book value of the Sinking Funds is $1,991.7 million and the Public Debt Retirement Funds (PDRF) is $769.5 million (see Schedule 18). The policy objectives of the Sinking Fund and the PDRF are to manage interest rate and currency exposure, manage short-term liquidity, assist in the refunding of maturing debt while at the same time providing a long-term investment return to the Province.

The assets of the Sinking Fund and PDRF are invested in high quality investments subject to approval by the Credit Sub-Committee of the Debt Management Committee. As at the end of March 2001, over 80.0 percent of the assets were invested in either federal or provincial debt obligations. The Public Debt Retirement Fund is primarily invested in Government of Canada, US Treasury and provincial bonds. Cash and equivalents in the Sinking Fund and PDRF are 18.3 percent of total assets. At March 31, 2001, the Public Debt Retirement Fund has only one small investments in securities of the Province of Nova Scotia. Chart 9, "Sinking and Public Debt Retirement Funds - Investments by Type of Issuer", further details the breakdown of the investments held by the Sinking Funds and the PDRF.

DEBT SERVICING COSTS - Sensitivity Analysis

Change in Financial Market Variables	Change in Debt Servicing Costs (C$ millions)
$10.0 million change in borrowing requirements	0.57
1% change in Canada 3-Month Treasury Bill	16.5
1% change in Canada 10-Year Bond	5.4
1% change in US 3-Month Treasury Bill	3.1
1 Canadian cent change per 1 US dollar	2.6

Debt Servicing Costs - Sensitivity Analysis

Actual debt servicing costs will vary from estimated amounts due to the dependence of debt servicing costs on certain financial market variables. The assumed levels for financial market variables are listed in Schedule 15. The sensitivity of the debt servicing costs estimates for the key variables are listed in Schedule 14.

The sensitivities show how much debt servicing costs would change if a variable changed from an assumed level for a full year. For example, if the Canadian dollar was 1 cent stronger relative to the assumed level of $1.5712 for the entire period April 1, 2001 to March 31, 2002, then debt servicing costs would decrease by $2.6 million, all other factors held constant.

INTEREST RATE and FOREIGN EXCHANGE RATE ASSUMPTIONS

Schedule 15

			Assumptions				
	ESTIMATE *2000-2001*	***AVERAGE*** *2000-2001* ***Actual***	***FORECAST*** *31-MAR-2001*	***ESTIMATE*** *2001-2002*	***ESTIMATE*** *2002-2003*	***ESTIMATE*** *2003-2004*	***ESTIMATE*** *2004-2005*
Foreign Exchange Rates							
United States Dollar							
CAD/USD	1.4620	1.5021	1.5736	1.5712	1.5696	1.5671	1.5621
USD/CAD	$0.6840	$0.6657	$0.6355	$0.6365	$0.6371	$0.6381	$0.6402
Japanese Yen							
JPY/USD	98.00	110.24	123.76	118.40	112.79	107.16	101.71
CAD/JPY	0.01492	0.01363	0.01271	0.01327	0.01392	0.01462	0.01536
10-Year Government Rates							
Canada	6.50%	5.71%		5.25%	5.75%	6.00%	6.00%
3-Month Treasury Bill Rates							
Canada	5.75%	5.46%		4.45%	5.25%	5.50%	5.50%
United States	6.25%	5.84%		4.25%	5.00%	5.25%	5.25%

All assumptions are shown as average levels for the relevant fiscal year.

Interest Rate and Foreign Exchange Rate Assumptions

The interest rate and foreign exchange rate assumptions that are used to estimate fiscal year 2001-2002 Debt Servicing Costs are shown in the column "Estimate, 2001-2002" in Schedule 15. This Schedule also shows the assumptions used to estimate debt servicing costs for the fiscal year 2000-2001 and the actual levels achieved in that fiscal year. The column "Average, 2000-2001, Actual" shows the average actual level for the period from April 1, 2000 to March 21, 2001. The column "Forecast, 31-Mar-2001" shows the actual level on March 21, 2001.

The Province of Nova Scotia's remaining Swiss Franc issue matured in fiscal 2000-2001.

PROJECTED DEBT SERVICING COSTS

Schedule 16

($ millions)

	ESTIMATE 2000-2001	***FORECAST 2000-2001***	***ESTIMATE 2001-2002***	***ESTIMATE 2002-2003***	***ESTIMATE 2003-2004***	***ESTIMATE 2004-2005***
Gross Debt Servicing Costs	1,049.5	1,097.3	1,043.4	1,035.9	1,063.7	1,098.0
Less: Sinking Fund Earnings	(150.4)	(126.6)	(134.5)	(139.8)	(138.4)	(141.6)
Net Debt Servicing Costs	899.1	970.7	908.9	896.1	925.2	956.4

PROJECTED BORROWING REQUIREMENTS

Schedule 17

($ millions)

	***ESTIMATE** 2000-2001*	***FORECAST** 2000-2001*	***ESTIMATE** 2001-2002*	***ESTIMATE** 2002-2003*	***ESTIMATE** 2003-2004*	***ESTIMATE** 2004-2005*
Government Operations	268.1	198.9	90.7	(8.6)	(11.4)	(39.4)
Net Capital Advances	51.7	31.7	58.9	50.0	50.0	50.0
Net Tangible Capital Assets	18.8	56.0	84.7	66.3	59.8	53.8
Non-Budgetary Transactions	48.3	(15.8)	(4.1)	100.1	97.7	57.3
Nova Scotia Resources Limited	27.9	675.0	(420.0)			
Cash Operating Requirements	**414.8**	**945.8**	**(189.8)**	**207.8**	**196.1**	**121.7**
Debt Retirement	**1,035.9**	**1,226.1**	**1,035.9**	**1,228.6**	**1,077.3**	**1,001.3**
Public Debt Retirement Fund Income (1)	61.9	57.5	53.8	50.5	42.1	39.8
Public Debt Retirement Fund Withdrawals	(250.0)	(250.0)	(100.0)	(100.0)	(150.0)	—
Net PDRF requirements	**(188.1)**	**(192.5)**	**(46.2)**	**(49.5)**	**(107.9)**	**39.8**
Sinking Fund Instalments (2)	286.8	286.8	253.8	262.5	271.7	275.0
Sinking Fund Income (1)	148.8	126.6	134.5	139.8	138.4	141.6
Sinking Fund Withdrawals	(296.0)	(296.0)	(125.3)	(406.7)	(209.8)	(200.3)
Net Sinking Fund Requirements	**139.6**	**117.4**	**263.0**	**(4.4)**	**200.3**	**216.3**
Total Borrowing Requirements	**1,402.2**	**2,096.8**	**1,062.9**	**1,382.5**	**1,365.8**	**1,379.1**
Term Debt Borrowing (Proceeds)		1,330.6				
Short-Term Borrowing		766.2				
Total Borrowing Requirements		**2,096.8**				
Term Debt Borrowing (Proceeds):						
Domestic Syndicated Issues		948.1				
Medium Term Notes		304.2				
Canada Pension Plan		78.3				
Total - Term Debt Borrowing		**1,330.6**				

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(1) - Sinking Fund and Public Retirement Fund income is included in the calculation of the provincial (surplus)/deficit but retained in the funds and therefore not available for consolidated fund operating activities. Thus it is shown as a borrowing requirement.

(2) - Sinking funds are required to be maintained for certain debt issues in accordance with debenture covenants. The Province maintains sinking funds for all debt issues as a matter of policy. Public Debt Retirement Funds are designed to help manage short term liquidity and pre-funding.

PROJECTED GROSS and NET DEBT

Schedule 18

($ millions)

	ACTUAL 1999-2000 (recast)	*FORECAST 2000-2001*	*ESTIMATE 2001-2002*	*ESTIMATE 2002-2003*	*ESTIMATE 2003-2004*	*ESTIMATE 2004-2005*
Gross Debt						
Opening Balance	**11,915.6**	**12,932.4**	**14,110.5**	**14,208.4**	**14,359.1**	**14,646.4**
Borrowing Program	1,506.7	1,330.6	1,062.9	1,382.5	1,365.8	1,379.1
Debt Retirement	(402.5)	(1,226.1)	(1,035.9)	(1,228.6)	(1,077.3)	(1,001.3)
Foreign Exchange (Gain)/Loss	(160.1)	188.0	22.6	28.8	30.0	25.9
On-Lending - NSMFC	(62.5)	21.1	(33.8)	(32.0)	(31.2)	(31.3)
On-Lending - NSRL	(119.8)	—	—	—	—	—
P3 Leases	307.3	21.1	82.1	—	—	—
Pension Obligations	213.5	—	—	—	—	—
Change in Net Unfunded Debt	(265.8)	843.4	—	—	—	—
Closing Balance	**12,932.4**	**14,110.5**	**14,208.4**	**14,359.1**	**14,646.4**	**15,018.8**
Less: Public Debt Retirement Funds						
Opening Balance	**894.1**	**962.0**	**769.5**	**723.3**	**673.8**	**565.9**
Earnings	67.9	57.5	53.8	50.5	42.1	39.8
Debt Retirement	—	(250.0)	(100.0)	(100.0)	(150.0)	—
Closing Balance	**962.0**	**769.5**	**723.3**	**673.8**	**565.9**	**605.7**
Less: Sinking Funds						
Opening Balance	**1,642.1**	**1,874.3**	**1,991.7**	**2,254.7**	**2,250.3**	**2,450.6**
Instalments and Serial Retirements	242.5	286.8	253.8	262.5	271.7	275.0
Earnings	135.2	126.6	134.5	139.8	138.4	141.6
Debt Retirement	(145.5)	(296.0)	(125.3)	(406.7)	(209.8)	(200.3)
Closing Balance	**1,874.3**	**1,991.7**	**2,254.7**	**2,250.3**	**2,450.6**	**2,666.9**
Net Debt	**10,096.1**	**11,349.3**	**11,230.4**	**11,435.0**	**11,629.9**	**11,746.2**

Gross Debt includes outstanding debentures, short term promissory notes net of related investments, debt associated with hospitals and public schools, debt assumed for Teachers' Pension Fund, and Members' Retiring Fund, less on-lending. The amount does not include the deficiency in net assets of the Crown corporations, Nova Scotia Resources Limited and Sydney Steel Corporation, nor certain pension liabilities.

PROJECTED CONSOLIDATED STATEMENT of NET DIRECT DEBT

($ millions)

Schedule 19

	ACTUAL *1999-2000*	*FORECAST* *2000-2001*	*ESTIMATE* *2001-2002*	*ESTIMATE* *2002-2003*	*ESTIMATE* *2003-2004*	*ESTIMATE* *2004-2005*
Opening Balance	**10,311.2**	**11,219.8**	**11,472.8**	**11,648.2**	**11,705.9**	**11,754.3**
Add (Deduct):						
Provincial (Surplus) Deficit	773.2	198.9	90.7	(8.6)	(11.4)	(39.4)
Increase (Decrease) in the Net Book Value of Tangible Capital Assets	135.4	54.1	84.7	66.3	59.8	53.8
Increase (Decrease) in Net Direct Debt	**908.6**	**253.0**	**175.4**	**57.7**	**48.4**	**14.4**
Closing Balance	**11,219.8**	**11,472.8**	**11,648.2**	**11,705.9**	**11,754.3**	**11,768.7**

Net Direct Debt

Net Direct Debt is calculated by subtracting the financial assets from the liabilities and adjusting for capital assets.